

# Isla Vista Recreation & Park District

## ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014



Isla Vista Recreation & Park District  
961 Embarcadero Del Mar  
Isla Vista, CA 93117

## Mission Statement

The Mission of the District is to enhance, improve, and protect the quality of life in the community through the maintenance and improvement of parks, and the organization and administration of Recreation Programs. The District will contribute to the health, enjoyment, thriving satisfaction of the people and to the safety, cleanliness, and beauty of the environment, its flora, and its fauna.

The District will acquire and preserve natural open space; will acquire, develop and maintain park land; and will provide recreational, cultural, and educational opportunities to its constituents.

As a public entity, the District will encourage public participation in its functions. The resources and activities of the District shall be for the overall benefit of all Isla Vista residents. No individual or group will be discriminated against for reasons of race, sex, age, color, national origin, place of birth, sexual orientation, marital status, religion, opinions, citizenship (as legally allowed), or personal appearance.



The District shall be guided by the theme of respect for the natural environment, and the theme of human cooperation, including cooperation with other agencies. The objective of the Master Plan is to establish a system of parks, which provides for and serves public needs. In addition to maintaining parks, the District shall, within its resources, provide a full and varying range of recreational and cultural activities for all residents of Isla Vista. Whenever possible, the District will coordinate and combine its resources with other agencies to maximize the services offered to its constituents, and to maximize efficiency in maintaining and improving parks.



# Isla Vista Recreation & Park District

# 2014

Annual Financial Report  
July 1, 2013 – June 30, 2014

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Prepared by Luke Rioux

Under the general direction of Bartlett, Pringle & Wolf, LLP.

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# INTRODUCTORY SECTION

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December 19, 2014

To the Citizens of Isla Vista Recreation & Park District:

The Annual Financial Report of the Isla Vista Recreation & Park District (the District) for the fiscal year ended June 30, 2014, is hereby submitted in compliance with California Government Code Section 26909. This statute requires the District to contract with a certified public accountant to perform an annual audit of the accounts and records of the District.

The District's management assumes full responsibility for the accuracy of the data, the completeness and fairness of its presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the District. The included disclosures are necessary to provide the reader an understanding of the District's activities and financial affairs.

The Annual Financial Report is presented in two sections: Introductory and Financial. The Introductory Section, which is unaudited, includes the letter of transmittal and the District's chart of elected Board of Directors (the Board). The Financial Section includes the Basic Financial Statements and the combining of individual fund financial statements and schedules, as well as the Independent Auditors' Report and Management's Discussion and Analysis (MD&A) on these financial statements and schedules.

## **PROFILE OF ISLA VISTA RECREATION & PARK DISTRICT**

### **Form of Government**

The Isla Vista Recreation & Park District was established in October 1972 by the County of Santa Barbara Board of Supervisors pursuant to a petition signed by qualified electors in the proposed district. The District operates under the provisions of the Public Resources Code, Chapter 4, Division 5.

The District is administered by a five member Board of Directors that is elected by the local residents to serve four year terms. The Board members serve on several standing committees and take an active role in administering the District. Administration services include prioritizing the District's goals and objectives, policy guides, passing ordinance, resolutions, adopting budgets, appointing committees and appointing the District's General Manager.

The General Manager, in turn, is responsible for carrying out the goals and objectives, policies, resolutions and ordinances of the Board. The General Manager also oversees the day-to-day operations of the District as well as appointing the District's staff.

The Isla Vista Recreation & Park District is unique from other parts of the County of Santa Barbara. The District serves a dense urban college town, a number of long-term owner occupants and lower-income renter households. Isla Vista is made up of a population of approximately 23,000, on 250 acres of land, surrounded by the University of California, Santa Barbara (UCSB) and the Pacific Ocean.

The following is a list of the District's Board of Directors for Fiscal Year 2013 – 2014:

### **Board of Directors**

<b>Name</b>	<b>Title</b>	<b>Elected/Appointed</b>	<b>Term</b>
Michael Aristizabal	Chairperson	Appointed	12/13 – 12/14
Jeff Bessmer	Vice-Chairperson	Elected	12/12 – 12/16
Leif Dreizler	Director	Elected	12/10 – 09/13
Sawyer Magsoodloo	Director	Elected	12/12 – 06/14
Monte-Angel Richardson	Director	Appointed	07/14 – 12/14
Pegeen Soutar	Vice-Chairperson	Elected	12/12 – 12/16
Alex Rodriguez	Chairperson	Elected	12/12 – 12/16

The District's General Manager is Rodney Gould, who was appointed by the Board of Directors in September 2012.

### **District Services**

The District has a full time staff of 10 employees providing a variety of recreation, park development and maintenance services for 25 parks, many with spectacular ocean views. Park maintenance is accomplished using completely organic methods and recreation services include a very successful after school program in Children's Park and numerous community special events.

### **Budgetary Policy and Control**

In accordance with the California Public Resource Code 5788.5, and other statutory provisions, on or before August 30 of each fiscal year, the District must prepare and submit a budget to the County Auditor. Annual budgets are adopted for the General, Debt Service, and Capital Project Funds. Budgets are prepared on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Annually, the Board of Directors conducts a public hearing for the discussion of a proposed budget and work plan. At the conclusion of the hearings, the Board adopts the final budget and work plan. All appropriations lapse at fiscal year-end and are subject to re-appropriation as part of the following fiscal year's budget. The legal level of budgetary control at which expenditures may not legally exceed appropriations is maintained at the object level.

Any changes in the annual budget must be within the revenues and reserves estimated by the District or the revenue estimates must be changed by a majority vote of the Board.

Budgetary control is exercised through an online computerized system called Financial Information Network (FIN), which interfaces with Santa Barbara County's general ledger. The system maintains ongoing record of budget balances throughout the year based on actual expenditure.

It is the District's policy to maintain an operating cash reserves sufficient to provide for monthly cash flow and for a budgeted reasonable level of equipment and infrastructure replacement by ending each fiscal year with a fund balance to cover approximately six months of General Fund supported operations.

The Board of Directors may transfer a surplus in the restricted or unrestricted accounts beyond the required General Fund reserve as specified in the sections 3055.123 of the District's policy manual.

## **FINANCIAL PLANNING**

### **One-Year Fiscal Forecast**

Before the one-year budget process begins, the Finance Committee reviews the revenues to help set the stage for the new fiscal year decision making. The purpose of the process is to identify the General Fund's ability over the next year to:

- Continue current services
- Maintain existing assets
- Fund new initiatives or acquire new capital assets
- Development of capital projects

### **Work Plan**

Also as part of the District's one-year budget process, the Board prioritizes and adopts a work plan that is recommended by the Finance Committee.

### **Cash Management Policies and Practices**

The District maintains substantially all of its cash in the County of Santa Barbara's Treasury. The County Treasurer invests the District cash with other funds under their control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment losses or gains are proportionately shared by all funds in the pool. The net yield earned over the fiscal year is 0.370%. The foremost goal of the portfolio is to preserve the principle while maintaining a comparative yield.

### **District Policies and Plans**

Major progress was made on the adoption and implementation of revised and up-to-date policies and plans for the District. These plans and policies clarify methods used for District operations and outlines priorities for improvements and programs in the future.

### **Risk Management**

The District purchases insurance from a private carrier California Association for Park & Recreation Indemnity (CAPRI), for general and automobile liability as well as for mandated workers'

compensation insurance. Automobile coverage and comprehensive general liability coverage for combined bodily injury and property damage have limits of \$1,000,000 each.

### **Pension Benefit Plan**

The Isla Vista Recreation & Park District contributes to the California Public Employee's Retirement System (CalPERS), a cost-sharing, multiple-employer, public employee retirement system, defined benefit pension plan administered by CalPERS.

### **Independent Audit**

The District's financial statements have been audited by Bartlett, Pringle & Wolf, LLP. Generally accepted auditing standards were used by the auditors in conducting the engagement. The Independent Auditors' Report on the Basic Financial Statements is included in the Financial Section of this report.

## **FINANCIAL HIGHLIGHTS**

### **Debt Administration without Government Commitment**

#### **Assessment District No. 99-01**

In January 1999, the Isla Vista Recreation & Park District issued \$1,958,000 of Assessment District No. 99-1, Limited Obligation Improvement Bonds. The Bonds were issued to refund the outstanding principal of the District's Limited Obligation Bonds, Assessment District No. 2 and its outstanding principal of the Limited Obligation Bonds, Assessment District No. 3, to provide money for a reserve fund for the Bonds and to pay the cost of issuance of the Bonds.

The District is no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments, forwarding the collection to bondholders, and initiating foreclosure proceedings for the benefit of the bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded in the District's Basic Financial Statements.

### **General Fund Revenues**

Our top four revenues account for over 90% of total revenues. By focusing on these, we are able to achieve an excellent understanding of our revenue position to meet the highest priority issues, concerns and needs. The following is a brief description of our top four revenues.

### **Property Tax**

Property tax accounts approximately 10% of the District's total revenues. The District is reallocated a percentage of the basic 1% property tax that is paid to the County, less the 40% that goes to the Education Relief Augmentation Fund (ERAF). The District has no say over the rate at which property taxes are charged. The distribution of property taxes to Special Districts is decided in Sacramento, California.

### **County of Santa Barbara Redevelopment Agency Pass Through Agreement**

The Redevelopment Agency (RDA) pass-through agreement stipulates that we will receive our annual property tax increment increase each year in return for the District agreeing to maintain the County's Isla Vista open space bluff-top properties. The property tax incremental increases that we receive each year from the RDA account for about 20% of the Districts total revenues. The RDA has

since dissolved as of February 2012. Revenues will continue to be received until the RDA has paid off their debt, and then transition into the form of property tax in which the District will continue to receive.

**1984 Voter-Approved Special Tax (Door Tax)**

In 1984, the Board of Directors asked voters of the District to approve a special tax to provide funds for the maintenance of parks within the boundaries of the District. This special tax is levied each fiscal year. The tax accounts for approximately 5% of the total District's revenues. The tax levying is based on a fixed rate of \$10 per dwelling unit/\$.05 per sq. ft. of commercial structure.

**1997 Voter-Approved Special Tax (Bedroom Tax)**

In 1997, voters approved a second special tax, known as the Bedroom Tax to fund District operations. This tax represents the biggest bulk of the District's revenues, accounting for about 60% of the District's total budget resources. The assessment is based on a per bedroom tax. For the Fiscal Year 2013-2014 the rates were at \$94.23 per bedroom and the rate for "non-residential units" at \$336.56. Yearly increases of the assessment are based on the CPI for all items, for all urban consumers, for the Los Angeles-Anaheim-Riverside area, published by the United States Department of Labor, Bureau of Labor Statistics.

Other District revenues include investment earnings, park reservation fees, bluff-top maintenance for Santa Barbara County Parks and other miscellaneous activities which account for about 10% of total overall revenues. The District has also received a fair amount of capital grants in previous years for park improvement projects.

Respectfully submitted,

A handwritten signature in cursive script that reads "Luke Rioux".

Luke Rioux  
Isla Vista Recreation & Park District

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Isla Vista Recreation and Park District:**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Isla Vista Recreation and Park District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements of California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of June 30, 2014, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Isla Vista Recreation and Park District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section was not audited by us, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Bartlett, Pringle & Wolf, LLP*

Santa Barbara, California  
December 19, 2014



# FINANCIAL SECTION

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

### **Introduction**

The information in this section is not covered by the Independent Auditor's Report, but is presented as required supplementary information for the benefit of the readers of the Isla Vista Recreation & Park District's (the District) Annual Financial Report, a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage the readers to consider the information presented here, in conjunction with the District's Basic Financial Statements and Notes to the Basic Financial Statements contained within this report.

### **Discussion of Basic Financial Statements**

This Annual Financial Report consists of Management's Discussion and Analysis and series of financial statements with accompanying notes, that when presented in conjunction presents the operations and financial condition of the District as a whole. This discussion and analysis are intended to serve as an introduction to the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide.

### **Government-wide Financial Statements**

The Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private sector companies. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the flow of economic resources measurement focus and the accrual basis of accounting. This basis of accounting includes all current year's revenues and expenses regardless of when cash is received or paid. The Government-wide Financial Statements include two statements:

#### *Statement of Net Position*

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator if the financial position of the District is improving or deteriorating. To assess the overall health of the District, the reader should consider additional nonfinancial factors such as changes in District's property tax base and the condition of the District's parks.

#### *Statement of Activities*

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the District.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. District funds can be divided into two categories: Governmental Funds and Fiduciary Funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirement. Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the Government-wide Financial Statement, because the resources of those funds are not available to support the District's own programs.

### **Notes to Basic Financial Statements**

The Notes to Basic Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The Notes to Basic Financial Statements can be found immediately following the Statement of Fiduciary Net Position.

## Financial Analysis of Net Position and Revenue and Expenditures

### Summary of Net Position For the Year Ended June 30

	2014	2013	Increase (Decrease)	Percent Change
Cash and investments	\$ 924,110	\$ 860,450	\$ 63,660	7%
Interest receivable	854	626	228	36%
Accounts receivable	25,429	13,063	12,366	95%
Prepaid expenses	6,458	12,420	(5,962)	-48%
Capital assets, net of accumulated depreciation	4,756,106	4,824,651	(68,545)	-1%
Total assets	5,712,957	5,711,210	1,747	0%
Accounts payable	17,172	36,033	(18,861)	-52%
Accrued salaries payable	24,772	21,490	3,282	15%
Accrued compensated absences	52,814	37,300	15,514	42%
Total liabilities	94,758	94,823	(65)	0%
Net investment in capital assets	4,756,106	4,824,651	(68,545)	-1%
Restricted	339,796	303,320	36,476	12%
Unrestricted	522,297	488,416	33,881	7%
Total net position	\$ 5,618,199	\$ 5,616,387	\$ 1,812	0%

Total net position may serve over time as a useful indicator of the District's financial position. The District's total assets exceeded liabilities by \$5.6 million at June 30, 2014, as summarized above. The District maintained its net position similar to the same level as previous fiscal year.

Total assets at fiscal year end June 30, 2014 increased slightly by \$1,747 when compared to the prior year. The largest portion of the District's net position reflects its investment of \$4.8 million in capital assets (land, building, improvements, equipment, infrastructure and construction in progress, net of accumulated depreciation). The District uses these capital assets to provide services to citizens.

Total liabilities at fiscal year end June 30, 2014 decreased slightly by \$65. Accounts payable decreased by \$18,861 or 52% as the District paid outstanding previous year incurred expenditures. Accrued compensated absences increased by \$15,514 or by 42%, due to the changes of the District's paid-time off policy, per Memorandum of Understanding agreement with the District's employees union.

**Summary of Activities  
For the Year Ended June 30**

	2014	2013	Increase (Decrease)	Percent Change
Revenue:				
Property tax	\$ 1,015,168	\$ 1,123,700	\$ (108,532)	-10%
Investment income (loss)	5,544	(2,626)	8,170	-311%
Rent	1,300	1,250	50	4%
Intergovernmental	300,521	268,725	31,796	12%
Grant revenue	-	44,476	(44,476)	-100%
Charges for services	114,689	101,299	13,390	13%
Donations	30,009	46,789	(16,780)	-36%
Miscellaneous	10,534	62,374	(51,840)	-83%
Total revenue	<u>1,477,765</u>	<u>1,645,987</u>	<u>(168,222)</u>	<u>-10%</u>
Expenses:				
Salaries and benefits	995,853	985,067	10,786	1%
Services and supplies	480,100	553,679	(73,579)	-13%
Total expenses	<u>1,475,953</u>	<u>1,538,746</u>	<u>(62,793)</u>	<u>-4%</u>
Increase in net position	<u>1,812</u>	<u>107,241</u>	<u>(105,429)</u>	<u>-98%</u>
Net position, beginning	<u>5,616,387</u>	<u>5,509,146</u>	<u>107,241</u>	<u>2%</u>
Net position, ending	<u>\$ 5,618,199</u>	<u>\$ 5,616,387</u>	<u>\$ 1,812</u>	<u>0%</u>

The District's total revenues decreased \$168,222 or 10% during the fiscal year ending June 30, 2014. This revenue decrease is primarily due to one-time RDA dissolution proceeds that are reflected in property tax collected in 2013. Other factors include one-time grant revenues and settlements received in previous fiscal year.

At the end of fiscal year June 30, 2014, District total expenses reported a decrease of \$62,793 or 4% in comparison to the previous year. The decreased amount is primarily due to services and supplies cut backs in different line items account. This included large reductions in legal fee costs and one-time professional and special services fees, in comparison to last year.

Overall the District's net position experienced positive growth, with an increase of \$1,812 as total revenue exceeded total expenses.

# BASIC FINANCIAL STATEMENTS

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**ISLA VISTA RECREATION AND PARK DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<u><b>2014</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 924,110
Interest receivable	854
Accounts receivable	25,429
Prepaid expenses	6,458
Capital assets, net of accumulated depreciation	<u>4,756,106</u>
Total assets	<u>5,712,957</u>
<b>LIABILITIES</b>	
Accounts payable	17,172
Accrued expenses	24,772
Accrued compensated absences	<u>52,814</u>
Total liabilities	<u>94,758</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,756,106
Restricted	339,788
Unrestricted	<u>522,305</u>
Total net position	<u><u>\$ 5,618,199</u></u>

*See accompanying notes*

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

		<u>Program Revenue</u>			Net (Expenses)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
Governmental activities:					
Parks and recreation	<u>\$ 1,475,953</u>	<u>\$ 114,689</u>	<u>\$ 330,530</u>	<u>\$ -</u>	<u>\$ (1,030,734)</u>
Total governmental activities	<u>\$ 1,475,953</u>	<u>\$ 114,689</u>	<u>\$ 330,530</u>	<u>\$ -</u>	<u>(1,030,734)</u>
General Revenues					
Taxes					
Secured and unsecured property taxes					1,015,168
Investment income					5,544
Rent					1,300
Miscellaneous					<u>10,534</u>
Total general revenues					<u>1,032,546</u>
Change in net position					1,812
Net position, beginning of year					<u>5,616,387</u>
Net position, end of year					<u>\$ 5,618,199</u>

*See accompanying notes*

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General Fund	Bond Fund	Memorandum Only 2014 Total
<b>ASSETS</b>			
Cash and investments	\$ 600,759	\$ 323,351	\$ 924,110
Accounts receivable	25,429	-	25,429
Interest receivable	544	310	854
Prepaid expense	6,458	-	6,458
	<u>6,458</u>	<u>-</u>	<u>6,458</u>
Total assets	<u>\$ 633,190</u>	<u>\$ 323,661</u>	<u>\$ 956,851</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 17,172	\$ -	\$ 17,172
Accrued expenses	24,772	-	24,772
	<u>24,772</u>	<u>-</u>	<u>24,772</u>
Total liabilities	<u>41,944</u>	<u>-</u>	<u>41,944</u>
Fund Balances:			
Restricted	-	323,661	323,661
Freebox	245	-	245
Adopt A Block	15,882	-	15,882
Committed			
Working capital-6 months	673,715	-	673,715
Unassigned	(98,596)	-	(98,596)
	<u>(98,596)</u>	<u>-</u>	<u>(98,596)</u>
Total fund balances	<u>591,246</u>	<u>323,661</u>	<u>914,907</u>
Total liabilities and fund balances	<u>\$ 633,190</u>	<u>\$ 323,661</u>	<u>\$ 956,851</u>

*See accompanying notes*

**ISLA VISTA RECREATION AND PARK DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
For the Year Ended June 30, 2014**

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Total fund balance of governmental funds	\$ 914,907
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,756,106
Long-term liabilities are not due and payable in current period and therefore they are not reported in the funds. In the current period this amount is:	
Compensated absences payable	<u>(52,814)</u>
Net position	<u>\$ 5,618,199</u>

*See accompanying notes*

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	General	Bond Fund	2014 Total
Revenues:			
Property taxes	\$ 966,825	\$ 48,343	\$ 1,015,168
Interest	1,698	852	2,550
Unrealized gain on investments	1,999	995	2,994
Rent	1,300	-	1,300
Intergovernmental	300,521	-	300,521
Grant revenue	-	-	-
Charges for services	114,689	-	114,689
Donations	30,009	-	30,009
Miscellaneous	10,534	-	10,534
	<u>1,427,575</u>	<u>50,190</u>	<u>1,477,765</u>
Total revenues			
Expenditures:			
Salaries and benefits	980,339	-	980,339
Services and supplies	295,575	14,679	310,254
Other charges	-	-	-
Capital outlay	101,301	-	101,301
	<u>1,377,215</u>	<u>14,679</u>	<u>1,391,894</u>
Total expenditures			
Net change in fund balance	50,360	35,511	85,871
Fund balance, beginning	<u>540,886</u>	<u>288,150</u>	<u>829,036</u>
Fund balance, ending	<u>\$ 591,246</u>	<u>\$ 323,661</u>	<u>\$ 914,907</u>

*See accompanying notes*

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

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Net change in fund balances	\$ 85,871
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Amounts reported in the Statement of Activities are different  
because:

Governmental funds report capital outlay as expenditures; however in the  
Statement of Activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense. In the current period this  
amount is:

Capital outlay	101,301
Current year depreciation	(169,846)

Compensated absences reported in the Statement of Activities do not require  
the use of current financial resources and therefore are not reported  
as expenditures in the governmental funds.

<u>(15,514)</u>
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Change in net position	<u>\$ 1,812</u>
------------------------	-----------------

*See accompanying notes*

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2014**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments with fiscal agent	\$      97,900
Total assets	<u>97,900</u>
<b>LIABILITIES</b>	
Due to bondholders	<u>97,900</u>
Total liabilities	<u>97,900</u>
<b>NET POSITION</b>	
Unrestricted	<u>-</u>
Total net position	<u><u>\$           -</u></u>

*See accompanying notes*

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 1 - Organization**

The Isla Vista Recreation and Park District, California (the District) was incorporated as an independent division of local government, authorized by the Public Resources Code, Chapter 4, Division 5. The District was formed for the purpose of providing park facilities and recreational services in the unincorporated area of Isla Vista. The District is governed by a Board of Directors elected to serve four year terms.

**Note 2 - Summary of Significant Accounting Policies**

A) Basis of Accounting and Measurement Focus

This report has been prepared in conformity with Accounting Principles Generally Accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

*Basis of Accounting* - Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared under the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

**Government-wide Financial Statements** - Government-wide financial statements display information about the reporting government as a whole. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they are allocated).

Government-wide financial statements are presented using the *flow of economic resources measurement focus* and the *accrual basis of accounting*. Under the flow of economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

A) Basis of Accounting and Measurement Focus (Continued)

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

The Statement of Net Position presents the Agency's assets and liabilities, with the difference reported as net position. Net position is classified into three components as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.
- *Restricted* – This component of net position consists when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of the two preceding categories.

**Fund Financial Statements** - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

A) Basis of Accounting and Measurement Focus (Continued)

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

Fiduciary funds are reported using the flow of economic resources measurement focus.

B) Fund Accounting

The accounts of the District are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net position, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major governmental funds and a fiduciary fund as follows:

**Major Governmental Funds:**

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Bond Fund - The Bond Fund is a special tax fund used to account for proceeds of the District's special tax.

**Fiduciary Fund:**

An *Agency Fund* is used to account for assets of others for which the District acts as an agent. The District maintains one agency fund for the collection of assessments and the related bond payments for Reassessment District No. 99-1.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

C) Budgetary Information

In accordance with the California Government Code and other statutory provisions, on or before August 30 each fiscal year, the District must prepare and submit a budget to the County Auditor. Annually non-appropriated budgets are adopted for the general, debt service, and capital projects funds. Budgets are prepared on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Board of Directors' action is required for the approval of budget revisions.

D) Cash and Investments

The District's cash and investments are held by the County Treasurer in a cash management investment pool (the Pool). The Pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it a SEC Rule 2a7-like pool. California Government Code statutes and the County Treasurer Oversight Committee set forth the various policies that the County Treasurer must follow.

State statutes and the County's investment policy authorize the County Treasurer to invest in US Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer's Local Agency Investment Fund (LAIF). The investment policy goal is to minimize credit/market risks and preserve liquidity while maintaining a competitive yield on the portfolio.

In accordance with *GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB Statement No. 31)*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices received from the custodian of the securities.

E) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and estimated useful life in excess of two years.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

E) Capital Assets (Continued)

Capital assets include public domain (infrastructure) consisting of certain improvements, including roads, streets, sidewalks, medians, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. The range of lives used for depreciation purposes for each capital asset class are as follows:

Building and improvements	10-40 years
Equipment	3-15 years

F) Employee Compensated Absences

The District's policy permits employees to accumulate earned but unused personal time off benefits based on length of service up to a defined maximum.

Accumulated unpaid employee compensated absences are recognized as liabilities to the District. The current portion of the liabilities is recognized in the General Fund at fiscal year end. The total amount of the liability is recognized in the Statement of Net Position.

G) Fund Balance

In the fund financial statements, governmental funds report fund balance as restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- a. *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- b. *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

G) Fund Balance (Continued)

- c. *Assigned fund balance* – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- d. *Unassigned fund balance* – the residual classification for the District’s General Fund that included amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditure incurred for specific purposes exceeds the amounts restricted to those purposes.)

H) Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures in the fund that is reimbursed.

I) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

J) Implementation of New Accounting Pronouncements

For the year ended June 30, 2014, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 did not have a material impact on the District’s financial statements as of and for the period ended June 30, 2014.



**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

J) Implementation of New Accounting Pronouncements (Continued)

GASB Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. This Statement removes the provision that limits fund-based reporting of a state and local government’s risk financing activities to the general fund and the internal service Fund type. The adoption of this statement did not have a material impact on the District’s financial statements.

The GASB Statement listed below will be implemented in future financial statements and will be evaluated by the District to determine if it will have a material impact to the financial statements once effective.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The effect of the implementation of GASB 68 has yet to be determined as of June 30, 2014.

K) Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices related to property taxes:

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**K) Property Taxes (Continued)**

*Property Valuations* – are established by the Assessor of the County of Santa Barbara for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

*Tax Levies* – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

*Tax Levy Dates* – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

*Tax Collection* – is the responsibility of the County tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

*Tax Levy Apportionments* – Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

*Property Tax Administration Fees* – The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

L) Grants Receivable

The District recognizes grant revenue when the qualifying expenditures are incurred, all eligibility requirements have been met, and collection of the grant funds is probable. Receipt of funds under the grant agreements is dependent upon the State of California appropriating funds for the grants. The grants receivable balance at June 30, 2014 was \$0.

**Note 3 - Cash and Investments**

The District maintains substantially all of its cash in the Santa Barbara County Treasury. The County Treasurer pools and invests the District cash with other funds under her control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment losses or gains are proportionately shared by all funds in the pool.

Cash and investments at June 30, 2014, includes \$97,900 that is restricted by legal or contractual requirements under the agreement for the Assessment District No. 99-1 limited obligation improvement bonds.

Investments are carried at fair value. Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	\$ 924,110
Cash and investments with fiscal agent, statement of fiduciary net position	<u>97,900</u>
Total cash and investments	<u>\$ 1,022,010</u>

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by the provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 3 - Cash and Investments (Continued)**

Investments Authorized by Debt Agreements (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
Money Market Mutual Funds	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing its cash in the Santa Barbara County Treasury which purchases a combination of shorter term and longer term investments. This investment strategy ensures that portions of the portfolio are maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				
	<u>Carrying Amount</u>	<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 924,110	\$ 924,110	\$ -	\$ -	\$ -
Held by bond trustees: Money market funds	<u>97,900</u>	<u>97,900</u>			
Total	<u>\$1,022,010</u>	<u>\$1,022,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 3 - Cash and Investments (Continued)**

Disclosures Relating to Credit Risk (Continued)

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$ 924,110	N/A	\$ -	\$ -	\$ -	\$ 924,110
Held by bond trustees:						
Money market funds	<u>97,900</u>	N/A				<u>97,900</u>
Total	<u>\$ 1,022,010</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,022,010</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

Investment in Santa Barbara County Investment Pool

The District is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements as the amounts based upon the District's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by Santa Barbara County Investment Pool, which are recorded on an amortized cost basis.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 4 - Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2014, is as follows:

	06/30/13 Beginning Balance	Additions	Transfers	Disposals	06/30/14 Ending Balance
Nondepreciable capital assets:					
Land	\$2,926,636	\$ -	\$ -	\$ -	\$ 2,926,636
Construction in progress	10,881			-	10,881
Total nondepreciable capital assets	2,937,517	-	-	-	2,937,517
Depreciable capital assets:					
Buildings and improvements	2,705,354	89,744	-	-	2,795,098
Equipment	202,092	11,557	-	-	213,649
Total depreciable capital assets	2,907,446	101,301	-	-	3,008,747
Less accumulated depreciation	(1,020,312)	(169,846)	-	-	(1,190,158)
Net depreciable capital assets	1,887,134	(68,545)	-	-	1,818,589
Capital assets, net	<u>\$4,824,651</u>	<u>\$ (68,545)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,756,106</u>

**Note 5 - Joint Powers Authority**

The District is a participant in a joint powers insurance agreement with the California Association for Park and Recreation Insurance (CAPRI). In 1986, CAPRI was founded to serve a risk sharing pool for recreation and park districts throughout California. The joint powers agreement was formed to meet the need of special districts to acquire liability insurance at affordable rates. By sharing the risk among a large pool of members, the cost to each member is reduced far below the rates they could obtain as individual entities. CAPRI currently has 61 member special districts throughout the state of California.

The District is also a participant in a joint powers insurance agreement with the Park and Recreation District Employee Compensation (PARDEC). This joint powers agreement is also defined as a risk sharing pool of recreation and park districts and was originally established in 1978, as the California Association of Recreation and Park Districts. An amendment to that agreement, effective July 1, 1989, changed the name to PARDEC. The joint powers agreement allows districts to join together with other districts in order to collectively self-insure their workers' compensation, employers' liability losses, and/or to jointly purchase insurance and administrative services. PARDEC also seeks to reduce the amount of frequency of losses, and to decrease the costs incurred by districts in the management and litigation of claims. Membership is restricted to members of the California Association of Recreation and Park District.

Audited financial statements are generally available from the respective entities.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 6 - Retirement Plan**

Plan Description

The Isla Vista Recreation and Park District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

CalPERS issues a separate comprehensive annual financial report for the Miscellaneous 2% at 55 Risk Pool. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Isla Vista Recreation and Park District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2014 was 12.326% of annual payroll. The contribution requirements of the plan members are established by State statute and employer contribution rate is established and may be amended by CalPERS. The Isla Vista Recreation and Park District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, 2012, 2011, and 2010, were \$85,264, \$79,223, \$81,756, \$71,160, and \$60,234, respectively, and equal 100% of the required contributions for each fiscal year.

**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 6 - Retirement Plan (Continued)**

Annual Pension Cost

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Method	15 year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Side Fund

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the District's plan. The District's required contributions are increased by the amortization of this side fund. The District's side fund as of the June 30, 2011 valuation was (\$118,969) and the remaining amortization period was 10 years at a rate of 7.5%.

**Note 7 - Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees.



**ISLA VISTA RECREATION AND PARK DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Note 8 - Debt Issued Without Government Commitment**

Assessment District No. 99-01

In January 1999, the Isla Vista Recreation and Park District (District) issued \$1,958,000 of Assessment District No. 99-1, Limited Obligation Improvement Bonds. The Bonds were issued to refund the outstanding principal of the District's Limited Obligation Bonds, Assessment District No. 2 and its Limited Obligation Bonds, Assessment District No. 3, to provide money for a reserve fund for the Bonds, and to pay the cost of issuance of the Bonds.

The District is in no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments, forwarding the collection to bondholders, and initiating foreclosure proceedings for the benefit of the bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded in the District's basic financial statements. The principal balance outstanding at June 30, 2014 is \$600,000.

**Note 9 - Contingencies**

The District is involved in litigation and legal matters which have arisen in the ordinary course of business. The District does not believe that the ultimate resolution of these matters will have a material adverse effect on its financial condition, results of operations or cash flows.

**Note 10 - Subsequent Events**

Subsequent events have been evaluated through December 19, 2014, the date that the financial statements were available to be issued.

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