

Chico Area Recreation and Park District

Chico, California

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

June 30, 2017



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Chico Area Recreation and Park District

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chico Area Recreation and Park District
Chico, California

We have audited the accompanying financial statements of the business-type activities of Chico Area Recreation and Park District (the District) as of and for the year ended June 30, 2017, 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

The District's 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; 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.

Auditors' 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 California State Controllers' *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 District'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 District'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of the District as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 5 through 12, the schedule of the District's proportionate share of the net pension liability on page 35, the schedule of district contributions on page 36, and the notes to the required supplementary information on page 37, 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.

KCoe Jam, LLP

October 11, 2017
Chico, California



Board of Directors

Board Member	Term Expiring
Bob Malowney, Chair	November 2018
Jan Sneed, Vice-Chair	November 2018
Tom Lando, Director	November 2020
Herman Ellis, Director	November 2018
Michael Worley, Director	November 2020

General Manager

Ann Willmann

Business Manager

Heather Childs

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

Chico Area Recreation and Park District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Chico Area Recreation and Park District (the District) offers readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29,765,658 (net position).
- Cash flows generated from general fund operations during the year were \$1,405,388.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The District's basic financial statements comprise two components: 1) government-wide financial statements, and 2) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-Wide Financial Statements

The District's financial statements are designed to provide readers with a broad overview of the finances in a manner similar to a private-sector business. These financial statements reflect the business-type activities of the District.

Statement of Net Position The statement presents information of all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statements of Functional Activities and Changes in Net Position This statement 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts receivable and earned but unused vacation leave).

Chico Area Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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.

Proprietary Funds

The District utilizes five enterprise funds which are considered proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The General Fund, Baroni Park, Oak Way Park, Peterson Park, and Park Development funds are used to reflect business-type activities of the District.

The General Fund reflects the major operations of the District's recreation services and park maintenance mission. Baroni Park, Oak Way Park, and Peterson Park funds reflect the activities of the park maintenance assessment districts that the District administers. The Park Development fund collects park impact fees for new park acquisitions and improvements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,765,658 at the close of the most recent fiscal year.

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended by GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As such, the Board has adopted a net position (fund balance) policy to insure adequate resources are available to meet future obligations. A summary of the net position classifications are as follows:

Non-Spendable Fund Balance: This fund represents capital assets, net of accumulated depreciation, reduced by the outstanding balance of notes and capital leases that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Fund Balance: This fund represents funds that have an external limitation on use. The net position (fund balances) in the Assessment Districts and Park Fund are restricted for use to maintain and operate the applicable park or pay the applicable note payable.

Chico Area Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Unrestricted Fund Balance: These funds represent the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted funds are further categorized as follows:

Committed Fund Balance: This fund represents funds that the Board of Directors has committed for a particular purpose. The General Fund balance represents funds set aside for two purposes. The first allocation is for a \$1,500 petty cash reserve. The remaining balance of \$1,200,000 represents a working capital reserve to operate the District for three months should an emergency arise and outside revenue sources are not available.

Assigned Fund Balance: This fund represents funds that the Board of Directors has designated the General Manager to set aside and monitor for a particular purpose. At June 30, 2017, funds in this category were set aside for future capital projects, debt service, deferred maintenance costs, and future election costs.

STATEMENTS OF NET POSITION – CONDENSED

June 30	2017	2016	Change
Assets			
Current assets	\$ 6,109,799	\$ 5,487,631	\$ 622,168
Other assets	214,216	244,818	(30,602)
Capital assets	26,763,222	27,063,620	(300,398)
Total Assets	33,087,237	32,796,069	291,168
Deferred Outflows of Resources	789,365	385,292	404,073
Total Assets and Deferred Outflows of Resources	33,876,602	33,181,361	695,241
Liabilities			
Current liabilities	1,008,378	933,877	74,501
Noncurrent liabilities	2,981,388	2,415,728	565,660
Total Liabilities	3,989,766	3,349,605	640,161
Deferred Inflows of Resources	121,178	347,282	(226,104)
Total Net Position	\$ 29,765,658	\$ 29,484,474	\$ 281,184
Total Net Position, Liabilities and Deferred Inflows of Resources	\$ 33,876,602	\$ 33,181,361	\$ 695,241

Chico Area Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

STATEMENTS OF FUNCTIONAL ACTIVITIES AND CHANGES IN NET POSITION – CONDENSED

June 30	2017	2016	Change
Operating Revenues			
Program service fees	\$ 3,322,589	\$ 2,935,963	\$ 386,626
Property taxes	3,227,108	3,073,073	154,035
Assessment fees	169,578	165,641	3,937
Other government support	1,093,021	1,047,548	45,473
Developer fees	61,750	64,125	(2,375)
Other revenue	454,959	670,640	(215,681)
Total Operating Revenues	8,329,005	7,956,990	372,015
Operating Expenses			
Salaries and benefits	5,257,887	4,539,782	718,105
Services and supplies	1,880,273	1,706,641	173,632
Contributions to other agencies	14,881	14,440	441
Depreciation	875,262	860,741	14,521
Total Operating Expenses	8,028,303	7,121,604	906,699
Operating Income	300,702	835,386	(534,684)
Nonoperating Revenue (Expense)	(19,518)	32,778	(52,296)
Change in Net Position	281,184	868,164	(586,980)
Net Position - Beginning of the Year	29,484,474	28,616,310	868,164
Net Position - End of the Year	\$ 29,765,658	\$ 29,484,474	\$ 281,184

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

The General Fund is the chief operating fund of the District. The following reflects operational results of the General Fund:

- At June 30, 2017, the District had cash and cash equivalents of \$5,679,867.
- Total liabilities were \$3,989,766 or 12% of total assets at June 30, 2017.
- The operating income was \$236,224 after depreciation of \$875,262 for the year ended June 30, 2017.

Chico Area Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Baroni Park, Oak Way Park, and Peterson Park funds are assessment districts. Expenses reflect costs of operating the applicable park. Revenues come from assessments levied against the applicable property owners in the assessment district. The Park Development Fund receives park development fees from new home developments in the District.

COMPARISON OF BUDGET TO ACTUAL – GENERAL FUND

Operational Budget

Year Ended June 30, 2017	Budget	Actual	Change
Operating Revenues			
Program service fees	\$ 3,337,127	\$ 3,322,589	\$ (14,538)
Property taxes	2,806,000	3,227,108	421,108
Other government support	1,035,000	1,093,021	58,021
Other revenue	461,201	454,959	(6,242)
Total Operating Revenues	7,639,328	8,097,677	458,349
Operating Expenses			
Salaries and benefits	5,388,906	5,141,809	(247,097)
Services and supplies	1,885,789	1,829,501	(56,288)
Contributions to other agencies	15,000	14,881	(119)
Depreciation	-	875,262	875,262
Total Operating Expenses	7,289,695	7,861,453	571,758
Operating Income	349,633	236,224	(113,409)
Nonoperating Revenue (Expense)	(2,896)	(26,420)	(23,524)
Change in Net Position Before Transfers	346,737	209,804	(136,933)
Transfers	74,747	74,747	-
Change in Net Position	\$ 421,484	\$ 284,551	\$ (136,933)

Capital Budget

Year Ended June 30, 2017	Budget	Actual	Change
Capital/repair projects	\$ 486,500	\$ 609,087	\$ 122,587
Less: Reclassification to operational budget for repairs	-	34,223	34,223
Net Capital Projects Capitalized	\$ 486,500	\$ 574,864	\$ 88,364

Depreciation is a noncash item that was not specifically budgeted by the Board of Directors during the year ended June 30, 2017.

Chico Area Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Operational Budget

Year Ended June 30, 2016	Budget		Actual		Change
Operating Revenues					
Program service fees	\$	2,970,542	\$	2,935,963	\$ (34,579)
Property taxes		2,622,500		3,073,073	450,573
Other government support		975,000		1,047,548	72,548
Other revenue		479,201		670,640	191,439
Total Operating Revenues		7,047,243		7,727,224	679,981
Operating Expenses					
Salaries and benefits		5,101,316		4,426,101	(675,215)
Services and supplies		1,641,758		1,660,692	18,934
Contributions to other agencies		15,000		14,440	(560)
Depreciation		-		860,741	860,741
Total Operating Expenses		6,758,074		6,961,974	203,900
Operating Income		289,169		765,250	476,081
Nonoperating Revenue (Expense)		(11,557)		38,595	50,152
Change in Net Position Before Transfers		277,612		803,845	526,233
Transfers		67,952		67,952	-
Change in Net Position	\$	345,564	\$	871,797	\$ 526,233

Capital Budget

Year Ended June 30, 2016	Budget		Actual		Change
Capital/repair projects	\$	486,500	\$	521,047	\$ 34,547
Less: Reclassification to operational budget for repairs		-		34,223	34,223
Net Capital Projects Capitalized	\$	486,500	\$	486,824	\$ 324

Depreciation is a noncash item that was not specifically budgeted by the Board of Directors during the year ended June 30, 2016.

Chico Area Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

As noted in the attached table of Comparison of Budget to Actual, most categories were in acceptable ranges of budgets. Some noted highlights are summarized below for the year ended June 30, 2017:

- Program service fees were below budget by .4%.
- Salaries and benefits were below budget by 5%.
- Services and supplies were below budget by 3%.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets at June 30, 2017, amounted to \$26,763,222 (net of accumulated depreciation). This investment in capital assets includes land, buildings, leasehold improvements, equipment, and construction in progress. Major capital asset events during the current fiscal year included the following:

- The Lakeside Pavilion roof replacement of \$307,022.
- The DeGarmo Park playground upgrade of \$119,178.
- The Pleasant Valley Recreation Center HVAC replacement of \$63,876.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$2,981,388. Long-term debt consists of notes payable, liability for compensated absences, and a net pension liability. All debt payments were made timely in agreement with all contracts. The notes payable are summarized in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The general economy of Butte County, California, continues to show signs of recovery. The unemployment rate for Butte County decreased to 6.1% at July 2017 when compared with 7.2% at July 2016.
- The District has approved a balanced budget for the 2017-18 year.
- Management continues to focus on providing quality recreation programs and well-maintained parks to the Chico community. The costs of these programs are consistently monitored to provide reasonably priced services to the community.

Chico Area Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the General Manager, Chico Area Recreation and Park District, 545 Vallombrosa Avenue, Chico, CA 95926.

FINANCIAL SECTION

Chico Area Recreation and Park District
STATEMENT OF NET POSITION

June 30, 2017	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 5,679,867	\$ 68,360	\$ 22,112	\$ 31,080	\$ 23,757	\$ 5,825,176
Accounts receivable	233,186	-	-	-	-	233,186
Interest receivable	12,997	317	199	197	7,125	20,835
Interfund receivable (payable)	43,383	(9,930)	(17,368)	(23,560)	7,475	-
Prepaid pension contribution - current	30,602	-	-	-	-	30,602
Total Current Assets	6,000,035	58,747	4,943	7,717	38,357	6,109,799
Prepaid Pension Contribution - Net	214,216	-	-	-	-	214,216
Capital Assets - Net	26,763,222	-	-	-	-	26,763,222
TOTAL ASSETS	\$ 32,977,473	\$ 58,747	\$ 4,943	\$ 7,717	\$ 38,357	\$ 33,087,237
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	\$ 789,365	\$ -	\$ -	\$ -	\$ -	\$ 789,365
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 33,766,838	\$ 58,747	\$ 4,943	\$ 7,717	\$ 38,357	\$ 33,876,602

The accompanying notes are an integral part of these financial statements.

Chico Area Recreation and Park District
STATEMENT OF NET POSITION
(Continued)

June 30, 2017	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
LIABILITIES						
Current Liabilities						
Current maturities of notes payable	\$ 88,094	\$ -	\$ -	\$ -	\$ -	\$ 88,094
Accounts payable	141,945	-	-	-	-	141,945
Accrued payroll and liabilities	197,104	-	-	-	-	197,104
Accrued interest	4,082	-	-	-	-	4,082
Program advances	577,153	-	-	-	-	577,153
Total Current Liabilities	1,008,378	-	-	-	-	1,008,378
Noncurrent Liabilities						
Notes payable	454,684	-	-	-	-	454,684
Compensated absences	148,022	-	-	-	-	148,022
Net pension liability	2,378,682	-	-	-	-	2,378,682
Total Noncurrent Liabilities	2,981,388	-	-	-	-	2,981,388
TOTAL LIABILITIES	\$ 3,989,766	\$ -	\$ -	\$ -	\$ -	\$ 3,989,766
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	\$ 121,178	\$ -	\$ -	\$ -	\$ -	\$ 121,178
NET POSITION						
Non-Spendable						
Net investment in capital assets	\$ 26,220,444	\$ -	\$ -	\$ -	\$ -	\$ 26,220,444
Restricted	-	58,747	4,943	7,717	38,357	109,764
Unrestricted						
Committed	1,201,500	-	-	-	-	1,201,500
Assigned	1,482,410	-	-	-	-	1,482,410
Unassigned	751,540	-	-	-	-	751,540
TOTAL NET POSITION	\$ 29,655,894	\$ 58,747	\$ 4,943	\$ 7,717	\$ 38,357	\$ 29,765,658
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	\$ 33,766,838	\$ 58,747	\$ 4,943	\$ 7,717	\$ 38,357	\$ 33,876,602

The accompanying notes are an integral part of these financial statements.

Chico Area Recreation and Park District

STATEMENT OF FUNCTIONAL ACTIVITIES AND CHANGES IN NET POSITION

Year Ended June 30, 2017	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
Operating Revenues						
Program service fees	\$ 3,322,589	\$ -	\$ -	\$ -	\$ -	\$ 3,322,589
Property taxes	3,227,108	-	-	-	-	3,227,108
Assessment fees	-	68,610	58,590	42,378	-	169,578
Other governmental support	1,093,021	-	-	-	-	1,093,021
Developer fees	-	-	-	-	61,750	61,750
Other revenue	454,959	-	-	-	-	454,959
Total Operating Revenues	8,097,677	68,610	58,590	42,378	61,750	8,329,005
Operating Expenses						
Salaries and benefits	5,141,809	45,190	45,193	25,695	-	5,257,887
Services and supplies	1,829,501	13,213	15,052	22,507	-	1,880,273
Contributions to other agencies	14,881	-	-	-	-	14,881
Depreciation	875,262	-	-	-	-	875,262
Total Operating Expenses	7,861,453	58,403	60,245	48,202	-	8,028,303
Operating Income (Loss)	236,224	10,207	(1,655)	(5,824)	61,750	300,702
Nonoperating Revenue (Expenses)						
Interest income	44,620	869	461	542	7,635	54,127
Change in fair value of cash and cash equivalents	(43,544)	(521)	(198)	(303)	(376)	(44,942)
Interest expense	(27,496)	-	-	-	(1,207)	(28,703)
Total Nonoperating Revenue (Expenses)	(26,420)	348	263	239	6,052	(19,518)
Change in Net Position Before Transfers	209,804	10,555	(1,392)	(5,585)	67,802	281,184
Transfers	74,747	-	-	-	(74,747)	-
Change in Net Position	284,551	10,555	(1,392)	(5,585)	(6,945)	281,184
Net Position - Beginning of Year	29,371,343	48,192	6,335	13,302	45,302	29,484,474
Net Position - End of Year	\$ 29,655,894	\$ 58,747	\$ 4,943	\$ 7,717	\$ 38,357	\$ 29,765,658

The accompanying notes are an integral part of these financial statements.

Chico Area Recreation and Park District
STATEMENT OF CASH FLOWS

Year Ended June 30, 2017	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 3,471,488	\$ -	\$ -	\$ -	\$ -	\$ 3,471,488
Receipts from taxes	3,227,108	-	-	-	-	3,227,108
Receipts from other government agencies	1,093,021	-	-	-	-	1,093,021
Payments to suppliers	(1,824,991)	(13,213)	(15,052)	(22,507)	-	(1,875,763)
Payments to employees	(5,052,173)	(45,190)	(45,193)	(25,695)	-	(5,168,251)
Other receipts	505,816	68,610	58,590	42,378	61,750	737,144
Other payments	(14,881)	-	-	-	(7,475)	(22,356)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,405,388	10,207	(1,655)	(5,824)	54,275	1,462,391
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(525,217)	-	-	-	-	(525,217)
Additions to construction in progress	(49,647)	-	-	-	-	(49,647)
Principal paid on debt	(84,385)	-	-	-	(74,747)	(159,132)
Interest paid on debt	(28,221)	-	-	-	(7,125)	(35,346)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(687,470)	-	-	-	(81,872)	(769,342)
CASH FLOWS FROM INVESTING ACTIVITIES						
Change in fair value of cash and cash equivalents	(43,544)	(521)	(198)	(303)	(376)	(44,942)
Interest income	41,070	780	417	498	576	43,341
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,474)	259	219	195	200	(1,601)
Net Increase (Decrease) in Cash and Cash Equivalents	715,444	10,466	(1,436)	(5,629)	(27,397)	691,448
Cash and Cash Equivalents - Beginning of Year	4,964,423	57,894	23,548	36,709	51,154	5,133,728
Cash and Cash Equivalents - End of Year	\$ 5,679,867	\$ 68,360	\$ 22,112	\$ 31,080	\$ 23,757	\$ 5,825,176

The accompanying notes are an integral part of these financial statements.

Chico Area Recreation and Park District
STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2017	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 236,224	\$ 10,207	\$ (1,655)	\$ (5,824)	\$ 61,750	\$ 300,702
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Amortization of prepaid pension contribution	30,602	-	-	-	-	30,602
Difference between pension expense recognized and deferred outflows of resources - contributions	(9,696)	-	-	-	-	(9,696)
Depreciation	875,262	-	-	-	-	875,262
Changes in assets and liabilities:						
Accounts receivable	80,066	-	-	-	-	80,066
Accounts payable	4,512	-	-	-	-	4,512
Accrued expenses	68,728	-	-	-	-	68,728
Program advances	112,215	-	-	-	-	112,215
Interfund receivable (payable)	7,475	-	-	-	(7,475)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,405,388	\$ 10,207	\$ (1,655)	\$ (5,824)	\$ 54,275	\$ 1,462,391

The accompanying notes are an integral part of these financial statements.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the financial statements.

Reporting Entity The Chico Area Recreation and Park District (the District) is a political subdivision of the state of California and provides recreation services to the residents of the Chico area of Butte County. The District was formed under Section 5780-5791 of the *Public Resources Code*, Article V, and is governed by a five-member Board of Directors elected by the voters of the District. A salaried general manager administrates the operations of the District in accordance with policies adopted by the Board of Directors. These financial statements encompass all fiscal activities conducted by the District.

The District's financial statements are classified by functional activities. The functional activities include three recreational facility park funds and a park development fund with the balance accounted for in the General Fund.

Basis of Accounting The District utilizes the proprietary fund method of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board (APB) Opinions; and 3) Accounting Research Bulletins (ARB) of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The District also applies GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments. The financial reporting standards reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Budgetary Control The District's fiscal year is the 12-month period beginning July 1. The general budget policy is that the District submit to the Butte County Auditor a board-approved budget estimating revenues and expenditures for the subsequent fiscal year prior to June 30. The final budget is legally enacted by a board resolution on or before August 10 after necessary adjustments, if any, have been made. Within certain legal restrictions, adjustments to final budget amounts may be made by the Board of Directors during the year to account for unanticipated occurrences.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash and Cash Equivalents Cash and cash equivalents include demand deposits in a financial institution and deposits in the Butte County Treasury (the County). The account in the financial institution serves as a clearing account into which the District makes daily deposits and then writes a check at least once each month for deposit to the County.

The District maintains substantially all of its cash in the County as part of a common investment pool. Deposits in the pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than two years. As of June 30, 2017, the fair value of the pool is 99.77% of the carrying value, which amounted to a net decrease of \$12,555. The change in fair value amounted to a decrease of \$44,942 for the year ended June 30, 2017. Information regarding the amount of dollars invested in derivatives with the County was not available. The pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130. The District is considered to be a voluntary participant in the County investment pool.

Fair Value Measurements The District accounts for certain assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District measures some assets for fair value on a recurring basis as described in note 2. The District may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis. These include assets that are adjusted for the lower of cost or market, such as an inventory valuation.

The District classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based upon the following:

- Level 1:* Quoted market prices for identical instruments traded in active exchange markets.
- Level 2:* Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.
- Level 3:* Model-based techniques that use at least one significant assumption not observable in the market.

These unobservable assumptions reflect an organization's estimates of assumptions that market participants would use on pricing an asset or liability. Valuation techniques include management's judgment and estimation which may be significant.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Capital Assets Capital assets are reported at historical cost, or in the case of donated items, at fair market value on the date donated. The District's capitalization policy includes all items with a unit cost of \$3,000 or more. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful lives are 10 to 30 years for structures, improvements, and leasehold improvements, and 3 to 5 years for equipment.

Deferred Outflows/Inflows of Resources From Pensions In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. District contributions, subsequent to the measurement date, and differences between District contributions and proportionate share of contributions, relate to pension plans that are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year as provided by accounting pronouncement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Differences between District contributions and proportionate share of contributions are amortized over the estimated service lives of the pension plan participants.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. Changes in proportion and the District's proportionate share of the net difference between projected and actual earnings on pension plan investments are reported as deferred inflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Program Advances Activity fees paid prior to the utilization of the service are recorded as program advances.

Operating Income and Expenses The statement of functional activities and changes in net position distinguishes between operating and nonoperating income and expenses. Operating revenues include all revenues received in order to provide recreational services. These revenues are received from program service fees, property taxes, assessments and developer fees, and other governmental support. Nonoperating revenues include contributions received for capital asset acquisitions, interest income, and the changes in fair value of cash and cash equivalents. Operating expenses are all expenses incurred to provide operating income, other than financing costs.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Net Position The District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended by GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish accounting and financial reporting standards for classifying fund balances into specifically defined classifications. At June 30, 2017, the District's net position is classified into three categories as follows:

Non-Spendable Fund Balance: This fund represents the District's investment in capital assets, net of accumulated depreciation, reduced by the outstanding balance of notes and capital leases that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Fund Balance: Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenant), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Unrestricted Fund Balance: These funds represent the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or restricted components of net position. Unrestricted funds are further categorized as follows:

Committed Fund Balance: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority and that should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (e.g. legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned Fund Balance: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, which should be reported as assigned fund balance, except for stabilization arrangements as discussed in paragraph 21 of GASB Statement No. 54.

Unassigned Fund Balance: Residual balance that has not been restricted, committed, or assigned to specific purposes.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Use of Estimates The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes Property taxes are levied by Butte County on the District's behalf and are intended to support operations and to service debt. Secured property taxes attach as an enforceable lien on property as of March 1. The amount of property tax received is dependent upon the assessed real property valuations as determined by the Butte County Assessor. Property taxes on the secured roll are due in two equal installments on November 1 and February 1 each year and are delinquent if not paid by December 10 and April 10, of each year, respectively. The District received approximately 39% of its operating revenue in 2017 from property taxes.

Transfers Transfers are made from the Park Development Fund to the General Fund in order to make debt payments.

Net Pension Liability For purposes of measuring the net pension liability, deferred outflows of resources/deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS), and additions to/deductions from CalPERS's fiduciary net position, have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

Labor Concentration The District has a total of 33 full-time employees. Approximately 67%, or 22 full time employees, belong to a union with a labor contract due for renewal in June 30, 2020.

2. CASH AND CASH EQUIVALENTS

The District is required under state statutes to deposit its money in the County, which in turn pays the claims of the District. The County is limited in its investments by the *California Government Code*, Section 53635 pursuant to Section 53601, to invest in demand deposits with financial institutions, savings accounts, certificates of deposits, U.S. Treasury securities, federal agency securities, state of California notes or bonds, notes or bonds of agencies within the state of California, obligations guaranteed by the Small Business Administration, bankers' acceptances, commercial paper, and the Local Agency Investment Fund of the state of California. The deposits in the County pooled funds are unrated.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash and cash equivalents consisted of the following:

June 30, 2017	Maturities	Fair Value
Petty Cash		\$ 500
Deposits (1)		396,915
Investments That are Not Securities (2)		
County treasurer's investment pool	1.8 years average	5,427,761
Total Cash and Cash Equivalents		\$ 5,825,176

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District has a collateralization agreement with a bank, which mitigates custodial credit risk. The cash balances in the bank at June 30, 2017, amounted to \$403,291. Deposits amounting to \$250,000 are covered by depository insurance, and the balance is subject to the collateralization agreement.

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the county investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District’s investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers’ acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

- County treasurer's investment pool of \$5,427,761 are valued using quoted prices for similar instruments in active market and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

3. INTERFUND RECEIVABLE (PAYABLE)

Oak Way Park, Peterson Park, and the Park Development Fund have been underwritten by the General Fund for operating costs not covered by the annual property tax assessment or developer fees. The interfund receivable (payable) represents the amount due to the General Fund for these costs.

4. PREPAID PENSION CONTRIBUTION

On July 31, 2012, the District paid the CalPERS side fund pension plan liability totaling \$397,829. This payment will result in a reduction of the employer pension plan contribution rate in future years. The prepayment is being amortized over 13 years as directed by CalPERS. Accumulated amortization as of June 30, 2017, totaled \$153,011 with amortization expense of \$30,602 per year.

Chico Area Recreation and Park District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. CAPITAL ASSETS

Changes in capital assets consisted of the following:

June 30	Balance 2016	Additions	Retirements	Transfers	Balance 2017
Nondepreciating Capital Assets					
Land	\$ 11,634,790	\$ -	\$ -	\$ -	\$ 11,634,790
Construction in progress	15,754	356,669	-	(317,775)	54,648
Total Nondepreciating Capital Assets	11,650,544	356,669	-	(317,775)	11,689,438
Depreciating Capital Assets					
Structures and improvements	24,260,701	190,529	-	317,775	24,769,005
Leasehold improvements	1,098,162	-	-	-	1,098,162
Equipment	1,469,394	27,666	-	-	1,497,060
Subtotals	26,828,257	218,195	-	-	27,364,227
Accumulated depreciation	(11,415,181)	(875,262)	-	-	(12,290,443)
Total Depreciating Capital Assets	15,413,076	(657,067)	-	-	15,073,784
Total Capital Assets - Net	\$ 27,063,620	\$ (300,398)	\$ -	\$ -	\$ 26,763,222

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. COMPENSATED ABSENCES

The District's policy allows employees to accumulate vacation leave up to the employee's annual vacation accrual and to accumulate all unused sick leave hours. Upon retirement or separation from the District, the employee is entitled to full compensation for unused vacation. Employees with over five years of service credit and sick leave accruals of over 100 hours are entitled to up to 260 hours of accrued sick time at the date of separation. The amount due within one year could not be estimated.

Costs for compensated absences are accrued when earned by employees. Accumulated unpaid employee benefits are recognized as a liability in the General Fund at the end of the year. A schedule of changes in compensated absences follows:

June 30	Balance 2016	Amount Earned	Amount Paid	Balance 2017
Compensated absences	\$ 114,706	\$ 210,830	\$ (177,514)	\$ 148,022

7. NOTES PAYABLE

In 1997, the District signed a \$700,000 note and purchased land (DeGarmo Park) from Robert DeGarmo for \$806,584. The note was to be paid over a period of 20 years at an interest rate of 10% per annum with annual payments of \$82,222 that began September 16, 1997, and continued through September 16, 2016. The loan was paid out of the Park Development Fund.

In 2008, the District signed a \$238,145 note and purchased solar panel electrical systems for the Field House and Pleasant Valley Recreation Center. The note is to be paid over a period of 10 years at an interest rate of 4.50% per annum with annual payments of \$30,096 beginning March 20, 2009, through March 20, 2018. The loan is paid from the General Fund.

In 2014, the District signed a \$651,457 note which refinanced a capital lease for Lakeside Pavilion. The note is to be paid over a period of 10 years at an interest rate of 4.375% per annum with bi-annual payments totaling \$81,142 that began October 28, 2014, and continue through October 28, 2024. The loan is paid from the General Fund.

A schedule of changes in debt follows:

June 30	Balance 2016	New Note	Payments	Balance 2017	Current Portion
Notes payable	\$ 701,910	\$ -	\$ 159,132	\$ 542,778	\$ 88,094

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Scheduled principal and interest payments are as follows:

Years Ending June 30	Principal	Interest	Total
2018	\$ 88,094	\$ 23,145	\$ 111,239
2019	61,916	19,226	81,142
2020	64,611	16,531	81,142
2021	67,512	13,630	81,142
2022	70,498	10,644	81,142
2023-2025	190,147	12,677	202,824
Totals	\$ 542,778	\$ 95,853	\$ 638,631

In October 2017, the District paid off the Lakeside Pavilion capital lease for approximately \$513,000.

8. OPERATING LEASES

The District leases copier equipment and a postage machine. Rental expense for the year ended June 30, 2017, was \$29,381. Minimum future rental payments under noncancelable operating leases with remaining terms in excess of one year as of June 30, 2017, are as follows:

Years Ending June 30	
2018	\$ 19,481
2019	15,955
Total Minimum Future Rental Expense	\$ 35,436

9. LINE OF CREDIT

In April 2015, the District obtained a line of credit with Golden Valley Bank for \$500,000 with interest at prime plus 2% (6.25% at June 30, 2017). The line was not utilized during the year ended June 30, 2017.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. APPROPRIATIONS LIMIT

The District establishes appropriation limits, pursuant to Section 9c of Article XIII B of the *California Constitution*, since the District's ad valorem tax on property exceeded \$.125 per \$100 assessed valuation in the 1977-78 fiscal year.

The District's Board of Directors established the appropriation limits for the fiscal year 2017 to be \$8,620,253.

11. GENERAL INFORMATION ABOUT THE PENSION PLANS

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan maintained by an agency of the state of California. Classified employees are members of CalPERS.

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the Miscellaneous Plan of CARD (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The Plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members are required to contribute 7.00% of their salary, which is partially paid by the District depending on employee group. The District is moving towards employees covering 100% of the employee portion. The required employer contribution rate for the 2016-17 fiscal year was 8.88%.

New CalPERS participants enrolled after January 1, 2013, are required to make contributions at a rate of 6.25% of their eligible salary. The District is required to match the contribution with a rate of 6.555% of eligible salaries.

The District's contributions to CalPERS for the fiscal year ended June 30, 2017, was \$355,570.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a net pension liability of \$2,378,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's portion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations and the state of California, actuarially determined. At June 30, 2015, the District's portion was .07%.

For the year ended June 30, 2017, the District recognized pension expense of \$345,873. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
June 30, 2017		
Net difference between projected and actual earnings on pension plan investments	\$ 403,365	\$ -
Differences between District contributions and proportionate share of contributions	24,115	-
Differences between expected and actual experience	6,315	-
Changes in assumptions	-	77,501
Changes in proportions	-	43,677
District contributions subsequent to the measurement date	355,570	-
Totals	\$ 789,365	\$ 121,178

The \$355,570 reported as deferred outflows of resources related to pensions, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2018	\$ 4,973
2019	7,865
2020	195,303
2021	104,476
Total	\$ 312,617

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses; includes inflation

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Rate of Return Years 1 - 10	Rate of Return Years 11+
Global equity	51%	5.25%	5.71%
Global fixed income	20%	0.99%	2.43%
Inflation sensitive	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The amortization and smoothing periods recently adopted by CalPERS were utilized to determine whether the municipal bond rate should be used in the calculation of a discount rate. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.65%) or higher (8.65%), than the current rate:

June 30, 2017	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 3,705,924	\$ 2,378,682	\$ 1,281,782

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalPERS's separately issued Comprehensive Annual Financial Report.

Chico Area Recreation and Park District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained general liability, auto liability, property, boiler and machinery coverage, and public officials' errors and omissions insurance through the Special District Risk Management Authority (SDRMA), a risk-sharing joint powers authority.

A summary of coverage limits is listed below:

June 30, 2017

General liability - bodily injury	\$	10,000,000
General liability - property damage	\$	10,000,000
Public officials' errors and omissions	\$	10,000,000
Personal liability coverage for members of the Board of Directors	\$	500,000
Employment practices liability	\$	10,000,000
Employee benefits liability	\$	10,000,000
Employee dishonesty coverage	\$	1,000,000
Auto liability - bodily injury	\$	10,000,000
Auto liability - property damage	\$	10,000,000
Uninsured motorist - bodily injury	\$	1,000,000
Uninsured motorist- property damage	\$	10,000
Boiler and machinery coverage	\$	100,000,000
Pollution coverage	\$	2,000,000
Cybersecurity	\$	2,000,000
Property including fire, theft, and flood	\$	1,000,000,000
Workers' compensation	\$	5,000,000

The District has a \$500 deductible under general liability, a \$500 deductible for personal liability coverage for members of the Board of Directors, and a \$1,000 deductible under auto liability.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Chico Area Recreation and Park District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Years Ended June 30	2017	2016	2015
District's portion of the net pension liability (asset)	0.07%	0.06%	0.03%
District's proportionate share of the net pension liability (asset)	\$ 2,378,682	\$ 1,758,201	\$ 1,700,721
District's covered-employee payroll	\$ 2,573,152	\$ 2,145,451	\$ 2,214,555
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92.44%	81.95%	76.62%
Plan fiduciary net position as a percentage of the total pension liability	78.20%	83.49%	83.03%

Chico Area Recreation and Park District
SCHEDULE OF DISTRICT CONTRIBUTIONS

Years Ended June 30	2017	2016	2015
Contractually required contribution	\$ 229,225	\$ 224,228	\$ 220,825
Contributions in relation to the contractually required contribution	(229,225)	(224,228)	(220,825)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,573,152	\$ 2,145,451	\$ 2,214,555
Contributions as a percentage of covered-employee payroll	8.91%	10.45%	9.97%

1. CHANGES IN BENEFIT TERMS

California Public Employees' Retirement System

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

2. CHANGES OF ASSUMPTIONS

California Public Employees' Retirement System

The CalPERS Board did not adopt new actuarial assumptions during the year ended June 30, 2017.