

LADERA RECREATION DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

LADERA RECREATION DISTRICT

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DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors of
Ladera Recreation District
Portola Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and fund information of the Ladera Recreation District (the "District"), as of and for the year ended December 31, 2015, which collectively comprised of 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; 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, each major fund and the aggregate remaining fund information as of the District at December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary schedules identified in the table of contents are presented for additional analysis and are not a required part of the basic financial statements of the District. The information contained in the supplementary schedules has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Morton & Associates, Inc.

Morton & Associates Inc.
Certified Public Accountants

January 31, 2017

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

This section of the annual financial report of the Ladera Recreation District (the "District") presents our discussion and analysis of the District's financial performance during the year ended December 31, 2015.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the District's financial statements, including the notes and the supplementary information that immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$69,003.
- General revenues accounted for \$208,174, or 31.32 percent, of total revenues of \$664,637. Program-specific revenues in the form of charges for services, grants, and contributions accounted for \$456,463, or 68.68 percent, of the total revenues.
- Total government-wide assets increased by \$59,377. Cash and cash equivalents increased by \$109,922, and net capital assets decreased by \$50,545 after improvements and depreciation.
- Total program expenses were \$595,634. Program-specific charges for services, grants, and contributions offset \$456,463 of these expenses. General revenues (primarily taxes) of \$208,174 were more than adequate to provide for the deficit in these programs.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District. The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the government-wide statements.

The fund financial statements are composed of:

- Government fund statements, which tell how basic services were financed in the short-term, as well as what remains for future spending.

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Overtime, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, it is necessary to consider additional non-financial factors including the condition of the District's buildings and other facilities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

Governmental Funds

Most of the District's basic services are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the governmental-wide statements, we provide additional information at the bottom of the governmental fund statement that explains the relationship (or differences) between them.

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

TABLE 1: NET ASSETS

A summary of total district revenues, expenses, and changes in net assets is presented in the table below.

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current and Other Assets	\$ 1,330,542	\$ 1,220,620	\$ 109,922	9.01
Capital Assets	<u>1,532,907</u>	<u>1,583,452</u>	<u>(50,545)</u>	<u>(3.19)</u>
Total Assets	<u>\$ 2,863,449</u>	<u>\$ 2,804,072</u>	<u>\$ 59,377</u>	<u>5.82</u>
Liabilities				
Current Liabilities	<u>\$ 10,750</u>	<u>\$ 20,375</u>	<u>\$ (9,625)</u>	<u>(47.24)</u>
Total Liabilities	<u>\$ 10,750</u>	<u>\$ 20,375</u>	<u>\$ (9,625)</u>	<u>(47.24)</u>
Net Assets				
Invested in Capital Assets, net of Related Debt	\$ 1,532,907	\$ 1,583,452	\$ (50,545)	(3.19)
Unrestricted	<u>1,319,792</u>	<u>1,200,245</u>	<u>119,547</u>	<u>9.96</u>
Total Net Assets	<u>\$ 2,852,699</u>	<u>\$ 2,783,697</u>	<u>\$ 69,003</u>	<u>9.96</u>

TABLE 2: CHANGES IN NET ASSETS

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Revenues				
General Revenues	\$ 208,174	\$ 223,999	\$ (15,825)	(7.06)
Program Revenues	<u>456,463</u>	<u>471,511</u>	<u>(15,048)</u>	<u>(3.19)</u>
Total Revenues	<u>\$ 664,637</u>	<u>\$ 695,510</u>	<u>\$ (30,873)</u>	<u>(10.25)</u>
Program Expenses				
Community Recreational Services	\$ 545,089	\$ 566,585	\$ (21,496)	(3.79)
Depreciation	<u>50,545</u>	<u>42,047</u>	<u>8,498</u>	<u>20.21</u>
Total Program Expenses	<u>\$ 595,634</u>	<u>\$ 608,632</u>	<u>\$ (12,998)</u>	<u>16.42</u>
Changes in Net Assets	<u>\$ 69,003</u>	<u>\$ 86,878</u>	<u>\$ (17,875)</u>	<u>32.84</u>

The decrease in program revenue for December 31, 2015 was because of a decrease in Sales, & Non resident Memberships.

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

Governmental Activities

Program revenues directly financed \$456,463 of the total expenses; the balance was financed by property taxes and other general revenues.

TABLE 3: GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Service 2015</u>	<u>Net Cost of Service 2015</u>	<u>Total Cost of Service 2014</u>	<u>Net Cost of Service 2014</u>
Community Recreational Services	\$ 545,089	\$ 88,626	\$ 566,585	\$ 95,074
Depreciation - Unallocated	<u>50,545</u>	<u>50,545</u>	<u>42,047</u>	<u>42,047</u>
Total Government Activities	<u>\$ 595,634</u>	<u>\$ 139,171</u>	<u>\$ 608,632</u>	<u>\$ 137,121</u>

This table displays, by function, the total and net costs of services provided. The net cost of services represents the total recreation costs less any grants or contributions plus revenue charged for the program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

TABLE 4: FUND BALANCES

	<u>Fund Balance 2015</u>	<u>Fund Balance 2014</u>	<u>Change</u>	<u>Percentage Change</u>
General Fund	\$ 1,319,792	\$ 1,200,245	\$ 119,547	9.96
Total Government Funds	<u>\$ 1,319,792</u>	<u>\$ 1,200,245</u>	<u>\$ 119,547</u>	<u>9.96</u>

General Fund Budgetary Highlights

In the Budget originally adopted by the Board of Directors, total revenues were budgeted at \$659,322 and expenditures at \$623,284. Revenues were projected to exceed expenditures by \$36,038. There were no subsequent budget modifications.

LADERA RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015

Capital Assets and Debt Administration

Capital Assets at Year End Net of Depreciation

As of December 31, 2015, the District owned the following capital assets:

TABLE 5: CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Land	\$ 987,266	\$ 987,266	-
Structures and Improvements	1,339,672	1,339,672	-
Furniture & Fixtures	53,654	53,654	-
Machinery and Equipment	96,317	96,317	-
Accumulated Depreciation	<u>(944,002)</u>	<u>(893,457)</u>	<u>6</u>
Total Capital Assets	<u>\$ 1,532,907</u>	<u>\$ 1,583,452</u>	<u>(3.19)</u>

Long-Term Debt

During the period, the District had no outstanding debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Di Gow, Ladera Recreation District, 150 Andeta Way, Portola Valley, California 94028.

LADERA RECREATION DISTRICT
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2015

	2015
ASSETS	
Current Assets	
Cash and Investments	\$ 923,287
Capital Assets	
Land	987,266
Structures and Improvements	1,339,672
Furniture and Fixtures	53,654
Machinery and Equipment	96,317
Accumulated Depreciation	(944,002)
Prepaid Expenses	38,594
Total Current Assets	\$ 2,494,788
Non-current Assets	
Long Term Investments	368,661
Total Non-current Assets	
Total Assets	\$ 2,863,449
LIABILITIES	
Accounts Payable	\$ 10,750
Total Liabilities	\$ 10,750
NET ASSETS	
Invested in Capital Assets, net of Related Debt	\$ 1,532,907
Unrestricted	1,319,792
Total Net Assets	\$ 2,852,699
Total Liabilities & Net Assets	\$ 2,863,449

The Accompanying Independent Auditors' Report and the Attached Notes
are an Integral Part of These Financial Statements.

LADERA RECREATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015
PROGRAM EXPENSES	
Community Recreational Services	\$ 545,089
Depreciation	50,545
Total Program Expenses	\$ 595,634
PROGRAM REVENUES	
Park and Recreation Fees	\$ 452,996
Other Income	3,467
Total Program Revenues	\$ 456,463
Net Program Cost	\$ 139,171
GENERAL REVENUES	
Taxes Levied	\$ 192,242
Donations	1,750
Contributions In-Kind	6,000
Interest and Investment Earnings	9,559
Unrealized Gain/(Loss)	(1,377)
Total General Revenues	\$ 208,174
Change In Net Assets	\$ 69,003
Net Assets as of December 31, 2014	\$ 2,783,696
Net Assets as of December 31, 2015	\$ 2,852,699

The Accompanying Independent Auditors' Report and the Attached Notes
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LADERA RECREATION DISTRICT
 GOVERNMENTAL FUNDS BALANCE SHEET
 FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Projects Fund	Debt Service Fund	Total
ASSETS				
Cash in County Treasury	\$ 74,930	\$ -	\$ -	\$ 74,930
Cash in Banks	1,217,018	-	-	1,217,018
Prepaid Expenses	<u>38,594</u>	<u>-</u>	<u>-</u>	<u>38,594</u>
Total Assets	<u>\$ 1,330,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,330,542</u>
 LIABILITIES				
Accounts Payable	<u>\$ 10,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,750</u>
Total Liabilities	<u>\$ 10,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,750</u>
 FUND BALANCES				
Fund Balances:				
Unreserved, Undesignated	<u>\$ 1,319,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319,792</u>
Total Fund Balances	<u>\$ 1,319,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319,792</u>
 Liabilities and Fund Balance	 <u>\$ 1,330,542</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,330,542</u>

The Accompanying Independent Auditors' Report and the Attached Notes
 are an Integral Part of These Financial Statements.

LADERA RECREATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>
Total Fund Balances - Governmental Funds	\$ 1,319,792
 Amounts reported for governmental activities in the statement of net assets are different because:	
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The actual or estimated historical acquisition cost of assets is \$2,476,909 and the accumulated depreciation is \$944,002	 <u>1,532,907</u>
 Net Assets of Governmental Activities	 \$ <u><u>2,852,699</u></u>

The Accompanying Independent Auditors' Report and the Attached Notes
are an Integral Part of These Financial Statements.

LADERA RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Projects Fund	Debt Service Fund	Total
REVENUES				
Property Taxes:	\$ -	\$ -	\$ -	\$ -
Current, Secured	140,860	-	-	140,860
Current, Unsecured	7,590	-	-	7,590
Supplemental	52	-	-	52
Homeowner Property Tax Relief	753	-	-	753
Revenue Shift	42,986	-	-	42,986
Other Revenues:				
Park and Recreation Fees	452,996	-	-	452,996
Donations	1,750	-	-	1,750
Contributions In-Kind	6,000	-	-	6,000
Interest	9,559	-	-	9,559
Unrealized Gain/(Loss)	(1,377)	-	-	(1,377)
Other Income	3,467	-	-	3,467
Total Revenues	<u>\$ 664,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 664,636</u>
EXPENDITURES				
Salaries and Benefits	\$ 280,312	\$ -	\$ -	\$ 280,312
Payroll Taxes	21,026	-	-	21,026
General Office Supplies	1,317	-	-	1,317
Repairs & Maintenance	20,046	-	-	20,046
Paint, Solvent and Chemicals	12,879	-	-	12,879
Landscaping	18,522	-	-	18,522
Contributed Services	6,000	-	-	6,000
Custodial Services	11,719	-	-	11,719
Utilities	55,382	-	-	55,382
Professional Contractors	15,622	-	-	15,622
Miscellaneous (PayPal)	7,730	-	-	7,730
Event Expenses	14,961	-	-	14,961
Program Activities	24,368	-	-	24,368
Taxes & Fees	15,797	-	-	15,797
District Operating Expenses	29,023	-	-	29,023
Vending Supplies	977	-	-	977
Telephone	3,134	-	-	3,134
Insurance	6,274	-	-	6,274
Total Expenditures	<u>\$ 545,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,089</u>
EXCESS/(DEFICIENCY) OVER/(UNDER) REVENUES UNDER EXPENDITURES	<u>\$ 119,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,547</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>\$ 119,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,547</u>
Fund Balances as of December 31, 2014	<u>\$ 1,200,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,245</u>
Fund Balances as of December 31, 2015	<u>\$ 1,319,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,319,792</u>

The Accompanying Independent Auditors' Report and the Attached Notes
are an Integral Part of These Financial Statements.

LADERA RECREATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>
Net Change in Fund Balance - Governmental Funds	\$ 119,547

Amounts reported for governmental activities in the statement of net assets are different because:

Depreciation: In governmental funds, there is depreciation of long-term assets which are reported as an expenditure in the year acquired. In the government-wide statements, depreciation of capital assets is reported as a reduction in fixed assets. Depreciation of capital assets for the year was:

Capital Acquisitions: In governmental funds, purchases of long-term assets are reported as expenditures. In the government-wide statements, purchases of capital assets are reported as additions to fixed assets. Expenditures for capital assets for the year was:

Change in Net Assets of Governmental Assets	<u>\$ 119,547</u>
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LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. The District

The Ladera Recreation District was organized in April 1958 by voters of Ladera, an unincorporated area of San Mateo County west of Alpine Road and consists of approximately 534 residential parcels. The District maintains a swimming pool, tennis courts, a community center, and a children's play area at 150 Andeta Way.

The District offers Ladera residents swimming and tennis lessons, a swim team, and summer recreation programs for a reasonable fee. These services are offered to non-residents at an increased fee.

The District is governed by a five member Board of Directors elected for three-year terms. The Board meets on the second Wednesday of each month. In the event one of the Directors is unable or does not choose to serve a complete term, a successor is appointed by the Board.

B. Basis of Presentation

The Government-Wide Financial Statements report economic resources and activities of the District. The Statement of Activities and Changes in Net Assets presents the Program Expenses and Revenues of the District as well as the General Revenues. Program Revenues include fees charged participants as well as grants and contributions restricted to the operations or capital requirements of a particular program. General Revenues include non-program revenues, general taxes, and investment earnings. Offsetting program revenues and expenses indicates the extent to which the programs are self-financing or need to draw from general revenues.

Fund Financial Statements report detailed information about the District by major funds. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. All of the District's funds were considered major.

Governmental funds are prepared on the basis of current financial resources. 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 assets. A reconciliation is presented to indicate the difference in presentation between the Government-Wide Financial and the Fund Financial Statements.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Accounting

Government-Wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues, Exchange and Non-Exchange Transactions:

Revenues resulting from exchange of value such as program fees are recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. For the District, "available" means collectible within the current fiscal year or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include:

- (i) timing requirements - which specify the year when the resources are to be used or the fiscal year when use is first permitted;
- (ii) matching requirements - which the District must provide in local resources to be used for a specific purpose; and
- (iii) expenditure requirements - which set what must be done for the District to be reimbursed.

Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On government fund financial statements, receivables associated with non-exchange transaction that will not be collected within the availability period have also been recorded as deferred revenue.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, 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 funds as follows:

- The *General Fund* is used to account for all financial resources except those to be accounted for in another fund or account group.
- The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital assets.
- The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and related costs.

E. Budgets and Budgetary Accounting

The Board of Directors adopts a preliminary budget prior to December 1st for the ensuing fiscal year.

Formal budgetary integration is employed as a management control device for the general fund during the year. Expenditures may not legally exceed budgeted appropriations at the fund level.

LADERA RECREATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. Budget-to-actual comparisons in this report use this budgetary basis. These budgeted amounts include the original Board adopted budget and any resolved amendments.

F. Deposits and Investments

Cash balances held in banks and revolving funds were insured up to \$250,000 as of December 31, 2015 per institution by the Federal Depository Insurance Corporation ("FDIC"). All cash held by the financial institutions is fully insured or collateralized, except the amount that exceeds the maximum insured levels of the FDIC.

G. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$3,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives in years:

<u>Asset Class</u>	<u>Examples</u>	<u>Estimated Useful Life</u>
Land		
Structures and Improvements	Building, swimming pools, sidewalks, tennis court	15-50
Furniture and Fixtures	Office and pool furniture	10
Machinery and Equipment	Playground equipment	3-15

H. Long-term Obligations

In the Government-Wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. In the fund financial statements, the face amount of the debt issued, premiums paid or discounts recognized are reported as other financing sources/uses.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Fund Balance Reserves and Designations

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Reporting Entity

The District's financial statements reflect its own activities; it has no component units.

L. Use of Estimates

The District's management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

LADERA RECREATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: PROPERTY TAX LEVY, COLLECTION AND MAXIMUM RATES

The State of California (the State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters have approved an additional amount. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among counties, cities, school districts and other special districts. Counties, cities and school districts may levy such additional tax as is necessary to provide for voter approved debt service. The County of San Mateo assesses properties, bills, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	Dec 10 (for Nov) April 10 (for Feb)	August 31

The term "unsecured" refers to taxes on property not secured by liens on real property. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the "alternate method" of property tax distribution, known as the Teeter Plan, by the San Mateo County Mosquito Abatement District and the County of San Mateo. The Teeter Plan authorized the auditor-controller of the County of San Mateo to allocate 100 percent of the secured property tax billed but not yet paid. The County of San Mateo remits tax monies to the District in three installments, as follows: 50 percent remitted on December 15; 40 percent remitted on April 15; and 10 percent remitted on June 30.

NOTE 3: CASH AND INVESTMENTS

The Federal Deposit Insurance Company (FDIC) insures bank balances up to \$250,000 for each bank. As of December 31, 2015, the District had \$2,263 in uninsured cash balances.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3: CASH AND INVESTMENTS, CONTINUED

Cash and investments consisted of the following as of December 31, 2015:

	<u>Carrying Value</u>	<u>Investment Rating</u>
Cash in Chase Bank	\$ 94,671	FDIC Insured
Morgan Stanley Holdings		
Morgan Stanley Money Market	7,460	FDIC Insured
Ally Bank	119,566	FDIC Insured
Bank Baroda	247,988	FDIC Insured
Bank of China	247,990	FDIC Insured
Everbank	247,985	FDIC Insured
Goldman Sachs	249,095	FDIC Insured
PayPal	2,263	Not FDIC Insured
Cash in county treasury	74,930	AA/VI+
Total Cash and Investment	<u>\$ 1,291,948</u>	

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>2014</u>	<u>Additions</u>	<u>2015</u>
Land - not depreciable	\$ 987,266	\$	\$ 987,266
Structures and improvements	1,339,672		1,339,672
Furniture and fixtures	53,654		53,654
Machinery and equipment	96,317		96,317
Total Capital Assets	<u>2,476,909</u>		<u>2,476,909</u>
Less: Accumulated Depreciation			
Building	(602,920)	(17,555)	(620,475)
Structure and Improvements	(180,807)	(24,358)	(205,165)
Furniture and Fixtures	(29,336)	(2,211)	(31,547)
Machinery and Equipment	(80,394)	(6,421)	(86,815)
Total Accumulated Depreciation	<u>(893,457)</u>	<u>(50,545)</u>	<u>(944,002)</u>
Net Capital Assets	<u>\$ 1,583,452</u>	<u>\$ (50,545)</u>	<u>\$ 1,532,907</u>

NOTE 5: DATE OF MANAGERMENTS REVIEW

In preparing the financial statements, the District has evaluated subsequent events and transactions for potential recognition or disclosure through January 31, 2017, the date that the financial statements were available to be issued.

LADERA RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6: JOINT POWERS AGENCY

The District is a member of the California Association for Park and Recreation Insurance ("CAPRI"), a joint powers agency comprised of participating recreation and park special districts formed under the Resource Codes of California. CAPRI provides liability and property insurance coverage. Financial information for CAPRI is available by contacting its office at 6341 Auburn Boulevard, Suite A, Citrus Heights, CA 95621-5203.

LADERA RECREATION DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES - BUDGET AND ACTUAL (GAAP)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes:	\$ -	\$ -	\$ -	\$ -
Current, Secured	128,006	128,006	140,860	12,854
Current, Unsecured	7,245	7,245	7,590	345
Supplemental	62	62	52	(10)
Homeowner Property Tax Relief	763	763	753	(10)
Revenue Shift	42,985	42,985	42,986	1
Other Revenues:				
Park and Recreation Fees	476,475	476,475	452,996	(23,479)
Donations	-	-	1,750	1,750
Contributions In-Kind	-	-	6,000	6,000
Interest	3,786	3,786	9,559	5,773
Unrealized Gain/(Loss)	-	-	(1,377)	(1,377)
Other Income	-	-	3,467	3,467
Total Revenues	<u>\$ 659,322</u>	<u>\$ 659,322</u>	<u>\$ 664,636</u>	<u>\$ 5,314</u>
EXPENDITURES				
Salaries and Benefits	\$ 289,682	\$ 289,682	\$ 280,312	\$ 9,370
Payroll Taxes	22,102	22,102	21,026	1,076
General Office Supplies	2,119	2,119	1,317	802
Repairs & Maintenance	29,255	29,255	20,046	9,209
Paint, Solvent and Chemicals	16,525	16,525	12,879	3,646
Landscaping	15,250	15,250	18,522	(3,272)
Contributed Services	-	-	6,000	(6,000)
Custodial Services	12,000	12,000	11,719	281
Utilities	50,152	50,152	55,382	(5,230)
Professional Contractors	16,802	16,802	15,622	1,180
Miscellaneous (PayPal)	8,019	8,019	7,730	289
Event Expenses	15,469	15,469	14,961	508
Program Activities	30,300	30,300	24,368	5,932
Taxes & Fees	13,959	13,959	15,797	(1,838)
District Operating Expenses	19,862	19,862	29,023	(9,161)
Vending Supplies	4,800	4,800	977	3,823
Telephone	2,788	2,788	3,134	(346)
Insurance	13,700	13,700	6,274	7,426
Improvements	60,500	60,500	-	60,500
Total Expenditures	<u>\$ 623,284</u>	<u>\$ 623,284</u>	<u>\$ 545,089</u>	<u>\$ 78,195</u>
EXCESS/(DEFICIENCY) OVER/(UNDER) REVENUES UNDER EXPENDITURES	<u>\$ 36,038</u>	<u>\$ 36,038</u>	<u>\$ 119,547</u>	<u>\$ 83,509</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>\$ 36,038</u>	<u>\$ 36,038</u>	<u>\$ 119,547</u>	<u>\$ 83,509</u>
Fund Balances as of December 31, 2014			<u>\$ 1,200,245</u>	
Fund Balances as of December 31, 2015			<u>\$ 1,319,792</u>	

The Accompanying Independent Auditors' Report and the Attached Notes
 are an Integral Part of These Financial Statements.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

2479 E. Bayshore Rd., Suite 285
Palo Alto, CA 94303

To the Board of Directors of
Ladera Recreation District
Portola Valley, California

We have audited the basic financial statements of the Ladera Recreation District ("the District") as of December 31, 2015, and for the year then ended, and have issued our report thereon dated January 31, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management of the Ladera Recreation District's management and the State Controller's office, and is not intended to be and should not be used by anyone other than these specified parties.

Morton & Associates, Inc.

Morton & Associates Inc.
Certified Public Accountants
January 31, 2017