PLEASANT HILL RECREATION AND PARK DISTRICT

PLEASANT HILL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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Pleasant Hill Recreation and Park District
BOARD OF DIRECTORS
June 30, 2012

NAME	TITLE
Dennis Donaghu	Chair
Bobby Glover	Vice Chair
Sherry Sterrett	Secretary
Cecile Shepard	Member
Sandra Bonato	Member

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pleasant Hill Recreation and Park District
Pleasant Hill, California

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pleasant Hill Recreation and Park District as of and for the fiscal year ended June 30, 2012. These basic financial statements are the responsibility of Pleasant Hill Recreation and Park District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pleasant Hill Recreation and Park District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 of Pleasant Hill Recreation and Park District as of June 30, 2012, and the results of its operations for the fiscal year then ended in conformity with U.S. generally accepted accounting principles, as well as accounting systems prescribed by the State Controller's office and state regulations governing special districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (page 3-7) and the required supplementary information (page 31), as listed in the table of contents, 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 2, 2012

1000 FOURTH STREET, SUITE 400 SAN RAFAEL, CA 94901 TEL (415) 457-1215 FAX (415) 457-6735 www.rjrcpa.com

Pleasant Hill Recreation and Park District's (the "District") Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's basic financial statements.

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:

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

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and 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 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 as well as changes to those net assets. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, 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, you need 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 Statement

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 for District use 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

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 fund information, which 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 government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following table summarizes the District's net assets as of June 30,

Table 1
Net Assets

	2012	2011
Assets:		
Current and other assets	$ 20,316,104	$ 20,618,588
Capital assets	21,687,444	12,292,103
Total assets	42,003,548	32,910,691
Liabilities:		
Other liabilities	2,648,137	2,143,704
Long-term liabilities	30,661,696	22,371,272
Total liabilities	33,309,833	24,514,976
Net Assets:		
Invested in capital assets, net of related debt	(8,696,666)	(10,080,950)
Restricted	17,537,357	18,748,378
Unrestricted	(146,976)	(271,713)
Total net assets	$ 8,693,715	$ 8,395,715

The District's net assets were $8,693,715 for the fiscal year ended June 30, 2012. Of this amount, $(146,976) was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the board's ability to use those net assets for day-to-day operations.

The following table summarizes the District's change in net assets for the year ended June 30,

Table 2
Changes in Net Assets

	2012	2011
Expenses		
Recreation and parks	$ 5,860,413	$ 6,059,188
Interest expense	1,044,636	1,274,977
Total expenses	6,905,049	7,334,165
Revenues		
Program revenues:		
Charges for services	2,402,649	2,554,626
Total program revenues	2,402,649	2,554,626
General revenues		
Property taxes	4,735,543	4,515,360
Interest and other income	64,854	93,897
Total general revenues	4,800,397	4,609,257
Total revenue	7,203,046	7,163,883
Change in net assets	$ 297,997	$ (170,282)

Government Activities

For the 2012 fiscal year, the total District revenues were $7,203,046 and the total District expenses were $6,905,049. The difference of $297,997 is the change in net assets bringing the total net assets to $8,693,715 on June 30, 2012. The main sources of revenue for the District are charges for services and property taxes. The cost of all governmental activities was $6,905,049 this year. District taxpayers ultimately financed $4,735,543 for these activities through local taxes and assessments. The increase in property tax revenues and interest expense are due to the Measure E property tax and related debt service.

Capital Assets

At June 30, 2012, the District had $21,687,444 in a broad range of capital assets, including land, buildings and furniture and equipment. The District uses $5,000 as its capitalization threshold.

Table 3
Capital Assets at Year End

	2012	2011
Land	$ 6,638,913	$ 6,638,913
Construction in progress	12,041,139	2,140,184
Land and park improvement	5,647,363	5,647,363
Building and structure	1,899,097	3,642,010
Swimming pool	1,585,804	1,573,336
Furniture and equipment	940,849	940,849
Accumulated depreciation	(7,065,721)	(8,290,552)
Net capital assets	$ 21,687,444	$ 12,292,103

Debt Administration

The District made all scheduled repayments of existing debt. Each of the District's debt issues is discussed in detail in Note 4 to the basic financial statements. As of June 30, 2012, the District's debt comprised:

General Obligation Bond – Measure E	$ 28,000,000
Certificates of Participation	2,305,000
Total	$ 30,305,000

General Fund Budgetary Highlights

The Pleasant Hill Recreation and Park District Board of Directors met on a number of occasions to review and analyze District revenue and expenditures. The meetings generated a list of projects, needed repairs to District facilities, and future program ideas. The Board agreed upon the following as District priorities and directed the General Manager to incorporate the priorities into FY 2011-2012 budget:

1. Employees – The Board of Directors listed the District Staff as the number one priority. The Board recognized the efforts and extra efforts of staff during the challenging times now facing the District. The Board acknowledges that the staff has not received a salary increase for two years and agreed to a 1% cost-of-living increase for this fiscal year.
2. Increased Efforts in Marketing, Promotions, and District Website – The Board of Directors emphasized the importance of marketing District programs and directed staff to investigate new ways to promote the District. The Board agreed to add $15,000 to the Communications budget for this next fiscal year.
3. Establishment of the Land and Facility Fund – The Board agreed to add a line item to the Budget for the establishment of a fund to use for parks and facility repairs. The Board agreed to designate $59,000 for the Land & Facility Fund and include $1 per registration for this designated fund.
4. Update the Master Plan – The Board agreed to update the master plan due to the changes that have taken place since the last plan was completed in 2004. The Board agreed to add $25,000 to Professional Services to retain the services of a consultant to update the District's Master Plan.

Other budget items that are new for this fiscal year include: the addition of fundraising activities for both revenue and expenditures for furniture and equipment for the Senior Center, Teen Center, and Community Center; the addition of separate budget accounts for Rodgers Ranch and the Teen Program; and the installation of the Bocce Courts and Horseshoe Pits at Pleasant Hill Park using Parkland Dedication Funds.

Personnel and employee issues include the addition of a full-time Sports/Park Maintenance position; the addition of a two-tiered benefit program for new hires after July 1, 2011; and salary and benefit concessions from full-time employees. Full-time employee concessions include: contributing 1.5% to their retirement portion, contributing 5% to their premium costs for health insurance coverage, paying higher co-pay amounts for hospital visits and medications, and taking two mandatory furlough days. All part-time employees had their participation in the retirement program increased from 3.75% to a 5% contribution. This change went into effect on July 1, 2011.

This budget reflects the lack of Senior Center and Community Center facilities to house programs resulting in District programs being held at the Winslow Center and other sites throughout the District. The District very much appreciates the use of: St. Andrews Presbyterian Church, Hillcrest Congregational Church, Faith Lutheran Church, Chateau Living Communities, Aegis Assisted Living, the City of Pleasant Hill, Pacheco Community Center, Village Music School, VFW Building, Rodgers Ranch, and Mt. Diablo Unified School District school sites. The new senior and Teen Centers will be opened in the fall of 2012 and the new Community Center will start construction in the spring of 2013.

The budget remains extremely tight, however, the District was able to end the fiscal year on a positive balance bucking the trend from the last couple of fiscal years.

Contacting the District 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 the General Manager, Pleasant Hill Recreation and Park District, 147 Gregory Lane, Pleasant Hill, California 94523.

Pleasant Hill Recreation and Park District

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS:		
Cash and investments	$	631,190
Restricted cash		18,459,617
Accounts receivable		387,562
Prepaid items		6,611
Bond issuance costs, net		831,124
Non-depreciable capital assets		18,680,052
Depreciable capital assets, net		3,007,392
Total assets		42,003,548
LIABILITIES:		
Accounts payable		1,033,105
Accrual payroll		2,618
Deferred revenue		409,403
Accrued interest		399,978
Other liabilities		13,033
Long-term liabilities:		
Due within one year:		
Certificate of participation payable		90,000
General obligation bonds		700,000
Due after one year:		
Measure E general obligation bond		27,300,000
Measure E general obligation bond premium		910,234
Certificate of participation payable		2,215,000
Compensated absences		236,462
Total due after one year		30,661,696
Total liabilities		33,309,833
NET ASSETS:		
Invested in capital assets, net of related debt		(8,696,666)
Restricted for:		
Debt service		1,344,897
Measure E		16,192,460
Unrestricted		(146,976)
Total net assets	$	8,693,715

The accompanying notes are an integral part of these financial statements

Pleasant Hill Recreation and Park District

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental Activities:					
Administration	$ 423,517	$ 273,390	$ -	$ -	$ (150,127)
Recreation	408,853	-	-	-	(408,853)
Senior citizens	551,985	277,374	-	-	(274,611)
Winslow center	101,525	37,774	-	-	(63,751)
Community center rental	635,255	(66)	-	-	(635,321)
Adult activities	222,838	182,813	-	-	(40,025)
Athletics & teens	606,717	543,595	-	-	(63,122)
Preschool, youth, & special	398,888	442,926	-	-	44,038
Child care	292,599	306,697	-	-	14,098
Aquatics	661,691	338,146	-	-	(323,545)
Communications	227,558	-	-	-	(227,558)
Parks	1,253,039	-	-	-	(1,253,039)
Maintenance	75,948	-	-	-	(75,948)
Interest and fees	1,044,636	-	-	-	(1,044,636)
Total Governmental Activities	$ 6,905,049	$ 2,402,649	$ -	$ -	(4,502,400)
General revenues:					
Taxes					4,735,543
Use of money					64,854
Total general revenues					4,800,397
Change in net assets					297,997
Net assets beginning of period					8,395,718
Net assets ending of period					$ 8,693,715

The accompanying notes are an integral part of these financial statements

Pleasant Hill Recreation and Park District
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012

	General	Landscape Fund	Measure E Project Fund	Measure E Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ -	$ 169,082	$ -	$ -	$ 462,108	$ 631,190
Restricted cash	215,189	-	17,114,720	1,129,708	-	18,459,617
Accounts receivable	387,562	-	-	-	-	387,562
Due from other funds	906,746	537,393	-	-	44,317	1,488,456
Prepaid items	6,611	-	-	-	-	6,611
Total assets	$ 1,516,108	$ 706,475	$ 17,114,720	$ 1,129,708	$ 506,425	$ 20,973,436
LIABILITIES						
Accounts payable	$ 345,062	$ -	$ 687,681	$ -	$ 362	$ 1,033,105
Accrued payroll	2,618	-	-	-	-	2,618
Deferred revenue	409,403	-	-	-	-	409,403
Due to other funds	560,257	649,497	234,579	-	44,123	1,488,456
Other liabilities	13,033	-	-	-	-	13,033
Total liabilities	1,330,373	649,497	922,260	-	44,485	2,946,615
FUND BALANCES						
Restricted	215,189	-	16,192,460	1,129,708	-	17,537,357
Nonspendable for prepaid items	6,611	-	-	-	-	6,611
Assigned for:						
Project funding	100,000	-	-	-	108,854	208,854
Special revenue funds	-	56,978	-	-	353,086	410,064
Unassigned	(136,065)	-	-	-	-	(136,065)
Total fund balances	185,735	56,978	16,192,460	1,129,708	461,940	18,026,821
Total liabilities and fund balances	$ 1,516,108	$ 706,475	$ 17,114,720	$ 1,129,708	$ 506,425	$ 20,973,436

The accompanying notes are an integral part of these financial statements

Pleasant Hill Recreation and Park District
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the Governmental Activities
STATEMENT OF NET ASSETS
For the year ended June 30, 2012

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	18,026,821
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:		
CAPITAL ASSETS		
Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.		21,687,444
LONG TERM ASSETS AND LIABILITIES		
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:		
Accrued interest payable		(399,978)
2000 Certificate of Participation		(1,000,000)
1998 Certificate of Participation		(1,305,000)
Measure E General Obligation Bond		(28,000,000)
Measure E bond premium		(910,234)
Measure E issuance cost, net		831,124
Non-current portion of compensated absences		(236,462)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	8,693,715

The accompanying notes are an integral part of these financial statements

Pleasant Hill Recreation and Park District
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2012

	General	Landscape Fund	Measure E Project Fund	Measure E Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	$ 3,216,664	$ -	$ -	$ 1,470,763	$ 48,116	$ 4,735,543
Non-recreation	273,390	-	-	-	-	273,390
Senior citizens	277,374	-	-	-	-	277,374
Winslow center	37,774	-	-	-	-	37,774
Community center rental	(66)	-	-	-	-	(66)
Adult activities	182,813	-	-	-	-	182,813
Athletics & teens	543,595	-	-	-	-	543,595
Preschool, youth, & special	442,926	-	-	-	-	442,926
Child care	306,697	-	-	-	-	306,697
Aquatics	338,146	-	-	-	-	338,146
Interest	4,583	-	58,898	-	1,373	64,854
Total revenues	5,623,896	-	58,898	1,470,763	49,489	7,203,046
Expenditures:						
Administration	376,444	-	-	-	-	376,444
Recreation	325,608	-	-	-	-	325,608
Senior citizens	504,912	-	-	-	-	504,912
Winslow center	54,452	-	-	-	-	54,452
Community center rental	476,673	-	-	-	-	476,673
Adult activities	175,765	-	-	-	-	175,765
Athletics & teens	559,644	-	-	-	-	559,644
Preschool, youth, & special	351,815	-	-	-	-	351,815
Child care	245,526	-	-	-	-	245,526
Aquatics	614,618	-	-	-	-	614,618
Communications	180,485	-	-	-	-	180,485
Parks	1,205,966	-	-	-	-	1,205,966
Maintenance	-	-	-	-	28,875	28,875
Capital outlay	193,141	-	9,925,657	-	-	10,118,798
Debt service:						
Bond issuance costs	-	-	387,848	-	-	387,848
Interest	133,611	-	-	911,025	-	1,044,636
Principal	110,000	-	-	-	-	110,000
Total expenditures	5,508,660	-	10,313,505	911,025	28,875	16,762,065
Excess (deficit) of revenues over (under) expenditures	115,236	-	(10,254,607)	559,738	20,614	(9,559,019)
Other Financing Sources (Uses):						
Issuance of debt	-	-	8,000,000	-	-	8,000,000
Debt premium	-	-	483,848	-	-	483,848
Transfers in	-	-	-	96,000	59,000	155,000
Transfers out	(59,000)	-	(96,000)	-	-	(155,000)
Total Other Financing Sources (Uses)	(59,000)	-	8,387,848	96,000	59,000	8,483,848
Net change in Fund Balances	56,236	-	(1,866,759)	655,738	79,614	(1,075,171)
Fund balances, beginning of period	129,499	56,978	18,059,219	473,970	382,326	19,101,992
Fund balances, end of period	$ 185,735	$ 56,978	$ 16,192,460	$ 1,129,708	$ 461,940	$ 18,026,821

The accompanying notes are an integral part of these financial statements

Pleasant Hill Recreation and Park District

RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

with the

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

For the year ended June 30, 2012

Total net change in fund balances - governmental funds	$ (1,075,171)
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The net capital outlay expenditures are therefore added back to the fund balance	10,007,293
Depreciation expense is deducted from the fund balance	(611,953)
LONG-TERM DEBT PROCEEDS AND PAYMENT	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	(8,096,000)
Repayment of debt principal is added back to the fund balance	110,000
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change):	
Bond issuance cost amortization	(15,285)
Bond premium amortization	15,228
Accrued interest payable	689
Long-term compensated absences	(36,804)
Changes in net assets of governmental activities	$ 297,997

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description

The Pleasant Hill Recreation and Park District (the "District") was formed January 22, 1951, under the laws of the State of California Public Resources Division 5, Chapter 4, Section 5780. The District is governed by a board of five elected directors who hold regularly scheduled meetings twice a month.

The District offers a wide variety of recreational activities for persons of all ages, from preschoolers through senior citizens. Some of the major activities include: a wide range of aquatic programs, varied cooking classes, adult and youth sports programs, dance classes, special events, excursions, fitness classes, special interest classes, many other types of classes and activities for one's leisure time. Along with these activities, the District also sponsors over fifteen special clubs and organizations, such as the Camera Club, Garden Club, Hiking Club, Las Juntas Artists, Tennis Club and others for public participation and enjoyment.

To facilitate this wide range of recreational activities, the District has over 250 acres of park-lands including: thirteen park sites, three pools, a community center facility, a senior citizens' complex, a cultural center, and many joint efforts with the local school district at various local school sites.

B. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2012, the District does not have any component units and is not a component unit of any other reporting entity.

C. Accounting Principles

The District accounts for its financial transactions in accordance with the policies and procedures recommended by the State of California. The accounting policies of the District conform to U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Accounting Principles (continued)

(a) Government-wide and Fund Financial Statements:

The government-wide financial statements (the statement of net assets and the statement of activities) report on the District as a whole. The statement of activities demonstrates the degree to which the direct expenses of the District's functions are offset by program revenues. *Direct expenses* are those that are clearly identifiable with the District's functions. *Program revenues* include charges for services, which are mainly from park and recreation fees. Other items not properly included among program revenues are reported instead as *general revenues.* Separate financial statements are provided for the governmental fund of the District (balance sheet and the statement of revenues, expenditures and changes in fund balances).

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation:

Government-wide Financial Statements
The statement of net assets and the statement of activities are prepared using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements
Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds in a single column, regardless of their fund type. Major funds are those that have assets, liabilities, revenue or expenditures equal to ten percent of their fund-type total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Accounting Principles (concluded)

The government reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Landscape Fund: The Landscape Fund is used to account for the proceeds of specific revenue sources that are legally or otherwise restricted to expenditures for landscape purposes.

Measure E Project Fund: The Measure E Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities.

Measure E Debt Service Fund: The Measure E Debt Service Fund is used to account for financial resources to be used to pay the annual borrowing costs of long term debt.

Other Governmental Funds are comprised of several non-major funds that include funds for separate smaller landscaping districts not included in the main Lighting and Landscape Fund, funds reserved for specific capital acquisitions and other miscellaneous fund balances.

(c) Use of Estimates:

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

D. Budget and Budgetary Accounting

During the month of April, the District staff prepares an annual budget. The full Board is presented the budget in May to be adopted in June as a preliminary budget and as a final budget by the last meeting in July. The preliminary budget is published in a newspaper thirty days prior to acceptance as a final budget.

Budget amounts in the combined financial statements reflect the annual budget and revisions approved during the year. Budgets are based upon the District's estimate of expenditures for each year and their proposed means of financing.

Expenditures are controlled on the major object level within the Funds. Any amendments of appropriations are approved by the Board. Budgeted amounts are reported as amended. All appropriations lapse at year-end. General fund expenditures exceeded appropriations (budget) in the amount of $97,330. General fund revenues exceeded budgeted amounts by $18,816.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

The District participates in the Contra Costa County Treasury. Contra Costa County (the County) pools its funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

F. Prepaid Items

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

G. Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 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 outlays that significantly extend the useful life of an asset are capitalized. The costs 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:

Asset Class	Estimated Useful Life in Years
Land	N/A
Land improvements	20
Building and structures	50
Portable classrooms	25
Kitchen equipment	15
Copiers	5
Musical instruments	10
Vehicles	5
Grounds equipment	5

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Deferred revenue consists primarily of class registration fees and senior trip funds received during the current year for programs or trips to be conducted subsequent to June 30, 2012. As of June 30, 2012, the deferred revenue balance was $409,403.

I. Compensated Absences

The District grants employees vacation and sick leave in varying amounts. In the event of retirement or termination, an employee is reimbursed at full salary rates for accumulated vacation days and at one-quarter of salary rates for sick leave days in excess of 30 days. The current portion of accumulated vacation and sick leave is recognized in the general fund. All compensated absences are accrued when incurred in the government-wide financial statements.

As of June 30, 2012, the liability for accrued vacation, administrative and compensatory time off leave was $236,462. This liability is paid from funds related to the accrued personnel costs.

J. 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. Premiums, discounts and issuance costs are deferred and amortized over the life of the debt using the effective-interest method.

In the fund financial statements, governmental funds recognize premiums, discounts and issuance costs during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

Designations for the ending fund balance indicate tentative plans for financial resource utilization in a future period.

K. Restricted Cash

Restricted cash represents assets either held by bond trustees or the District, which are governed by a trust indenture specifying their uses. These assets all relate to various debt issuances.

L. Revenue Limit/Property Tax

The County is responsible for assessing, collecting, and apportioning property taxes on behalf of the District. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on January 1 and become delinquent if unpaid by August 31.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

L. Revenue Limit/Property Tax (concluded)

The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

M. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when a fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement.

All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent possible pursuant to the District Board Approved Investment Policy and Guidelines and State Government Code. Cash on deposit as of June 30, 2012, amounted to $19,090,807 and was deposited in the following depositories:

Deposits and Investments	Carrying Amount	Market Value	Investment Risk
Cash in County Treasury	$ (805,745)	$ (805,745)	AA
Cash in bank	208,458	208,458	N/A
Cash with fiscal agent (restricted)	1,344,896	1,344,896	N/A
Investment in LAIF	1,228,478	1,228,478	Not Rated
Investment in LAIF (restricted)	17,114,720	17,114,720	Not Rated
Total cash and investments	$ 19,090,807	$ 19,090,807	

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan associations to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law, this collateral is held in the District's name and places the District ahead of general creditors of the institution.

NOTE 2 - CASH AND INVESTMENTS (concluded)

B. Investments

The District's investments are carried at fair value instead of cost, as required by U.S. generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end if material, and it includes the effects of these adjustments in income for that fiscal year.

The District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

The management of the State of California Pooled Money Investment Account has indicated to the District that as of June 30, 2012 the carrying amount of the pool was $60,502,186,417 and the estimated market value of the pool (including accrued interest) was $66,515,727,874. The District's proportionate share of that value is $18,343,198. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling $800,000,000 and asset-backed securities totaling $1,297,405,000. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours notice. Financial statements for LAIF can be obtained from the California State Treasurer's Office: State Treasurer's Office, 915 Capitol Mall, Suite 110, Sacramento, CA 95814.

C. Restricted and Designated Cash and Equivalents

The District segregates certain cash and equivalents that have legal or Board of Directors' designated restrictions as to their uses. The District is required under the terms of certain long-term debt covenants to segregate and maintain $1,344,896 restricted for debt service and $17,114,720 restricted for Measure E capital projects as of June 30, 2012.

NOTE 3 - CAPITAL ASSETS

An analysis of fixed assets at June 30, 2012, is as follows:

Governmental Activities	Balance 6/30/11	Increase	Decrease	Balance 6/30/12
Capital assets, not being depreciated:				
Land	$ 6,638,913	$ -	$ -	$ 6,638,913
Construction in progress	2,140,184	9,997,353	96,398	12,041,139
Total capital assets, not being depreciated	8,779,097	9,997,353	96,398	18,680,052
Capital assets, being depreciated:				
Land and park improvements	5,647,363	-	-	5,647,363
Building and structure	3,642,010	93,871	1,836,784	1,899,097
Swimming pool	1,573,336	12,468	-	1,585,804
Furniture and equipment	940,849	-	-	940,849
Total capital assets, being depreciated	11,803,558	106,339	1,836,784	10,073,113
Less accumulated depreciation for:				
Land and park improvements	(4,481,024)	(103,889)	-	(4,584,913)
Building and structure	(2,260,632)	(418,208)	(1,836,784)	(842,056)
Swimming pool	(784,103)	(30,415)	-	(814,518)
Furniture and equipment	(764,793)	(59,441)	-	(824,234)
Total accumulated depreciation	(8,290,552)	(611,953)	(1,836,784)	(7,065,721)
Total capital assets being depreciated – net	3,513,006	(505,614)	-	3,007,392
Capital assets – net	$ 12,292,103	$ 9,491,739	$ 96,398	$ 21,687,444

Depreciation allocation:	
Administration	$ 47,073
Recreation	47,073
Senior citizens	47,073
Winslow Center	47,073
Community center rental	47,077
Adult activities	47,073
Athletic and teens	47,073
Preschool and youth	47,073
Child care	47,073
Aquatics	47,073
Communications	47,073
Parks	47,073
Maintenance	47,073
Total depreciation expense	$ 611,953

NOTE 4 - LONG-TERM DEBT

A. Change in Long-Term Debt

The following is a summary of changes in long-term debt as of June 30, 2012:

	June 30, 2011	Additions	Retirements	June 30, 2012	Current
Certificates of Participation	$ 2,390,000	$ -	$ 85,000	$ 2,305,000	$ 90,000
General obligation	20,000,000	8,000,000	-	28,000,000	700,000
Issuance/premiums, net	(16,947)	(62,163)	-	(79,110)	-
Loan payable	25,000	-	25,000	-	-
Loan payable	-	-	-	-	-
Compensated absences	199,658	36,804	-	236,462	-
Total	$ 22,597,711	$ 7,974,641	$ 110,000	$ 30,462,352	$ 790,000

B. Certificates of Participation ("COP")

1998 COP

The District issued certifications of participation in January of 1998 to finance the acquisition of Pleasant Oaks Park. The total amount of the issue was $1,895,000 with an average interest rate of 5.56%. The certificates mature through 2027 as follows:

Year Ending June 30	Principal	Interest	Debt Service
2013	$ 60,000	$ 73,215	$ 133,215
2014	60,000	69,885	129,885
2015	65,000	66,555	131,555
2016	70,000	62,948	132,948
2017	70,000	59,063	129,063
2018	75,000	55,125	130,125
2019	80,000	50,906	130,906
2020	85,000	46,406	131,406
2021	90,000	41,625	131,625
2022	95,000	36,563	131,563
2023	100,000	31,219	131,219
2024	105,000	25,594	130,594
2025	110,000	19,688	129,688
2026	115,000	13,500	128,500
2027	125,000	7,031	132,031
Total Debt Service	$ 1,305,000	$ 659,323	$ 1,964,323

NOTE 4 - LONG-TERM DEBT (continued)

B. Certificates of Participation ("COP") (concluded)

2000 COP

The District entered into a purchase agreement with the City of Pleasant Hill for 2.25 acres of land beneath and surrounding the community center. The purchase price was $953,000, including a promissory note in the amount of $650,000. The note was refinanced in May 2000 with Certificates of Participation in the amount of $1,285,000. The additional money was used for repairs and upgrades to the community center. The note will be amortized over 30 years at a simple interest rate of 5.80% with monthly installments commencing May 1, 2000.

Annual principal and interest amount through 2030 are as follows:

Year Ending June 30	Principal	Interest	Debt Service
2013	$ 30,000	$ 57,130	$ 87,130
2014	35,000	55,245	90,245
2015	35,000	53,215	88,215
2016	40,000	51,040	91,040
2017	40,000	48,720	88,720
2018	45,000	46,255	91,255
2019	45,000	43,645	88,645
2020	50,000	40,890	90,890
2021	50,000	37,990	87,990
2022	55,000	34,945	89,945
2023	60,000	31,610	91,610
2024	60,000	28,130	88,130
2025	65,000	24,505	89,505
2026	70,000	20,590	90,590
2027	75,000	16,385	91,385
2028	80,000	11,890	91,890
2029	80,000	7,250	87,250
2030	85,000	2,465	87,465
Total Debt Service	$ 1,000,000	$ 611,900	$ 1,611,900

C. Measure E General Obligation Bond

The District issued general obligation bonds in August of 2009 to finance the acquisition, expansion and improvement of District facilities. Measure E was authorized by an election of registered voters of the District. The total amount of the issue was $20,000,000 with an average interest rate of 4.78%.

NOTE 4 - LONG-TERM DEBT (continued)

C. Measure E General Obligation Bond (continued)

The Series A certificates mature through 2041 as follows:

Year Ending June 30	Principal	Interest	Total
2013	$ 575,000	$ 911,025	$ 1,486,025
2014	180,000	888,025	1,068,025
2015	405,000	880,825	1,285,825
2016	420,000	864,625	1,284,625
2017	435,000	852,025	1,287,025
2018	445,000	838,975	1,283,975
2019	460,000	825,625	1,285,625
2020	475,000	811,825	1,286,825
2021	490,000	795,200	1,285,200
2022	505,000	778,050	1,283,050
2023	525,000	757,850	1,282,850
2024	550,000	736,850	1,286,850
2025	570,000	714,850	1,284,850
2026	595,000	692,050	1,287,050
2027	625,000	662,300	1,287,300
2028	655,000	631,050	1,286,050
2029	685,000	598,300	1,283,300
2030	720,000	564,050	1,284,050
2031	755,000	528,050	1,283,050
2032	795,000	490,300	1,285,300
2033	830,000	452,935	1,282,935
2034	870,000	413,510	1,283,510
2035	915,000	371,750	1,286,750
2036	960,000	326,000	1,286,000
2037	1,005,000	278,000	1,283,000
2038	1,055,000	227,750	1,282,750
2039	1,110,000	175,000	1,285,000
2040	1,165,000	119,500	1,284,500
2041	1,225,000	61,250	1,286,250
Total	$ 20,000,000	$ 17,247,545	$ 37,247,545

NOTE 4 - LONG-TERM DEBT (concluded)

C. Measure E General Obligation Bond (concluded)

The Series B certificates mature through 2042 as follows:

Year Ending June 30	Principal	Interest	Total
2013	$ 125,000	$ 431,888	$ 556,888
2014	50,000	341,760	391,760
2015	90,000	340,260	430,260
2016	125,000	337,560	462,560
2017	160,000	333,810	493,810
2018	165,000	327,410	492,410
2019	175,000	320,810	495,810
2020	180,000	313,810	493,810
2021	190,000	306,610	496,610
2022	200,000	299,010	499,010
2023	210,000	291,010	501,010
2024	220,000	280,510	500,510
2025	230,000	269,510	499,510
2026	240,000	258,010	498,010
2027	250,000	246,010	496,010
2028	260,000	233,510	493,510
2029	270,000	220,510	490,510
2030	280,000	207,010	487,010
2031	295,000	193,010	488,010
2032	305,000	178,260	483,260
2033	320,000	166,060	486,060
2034	335,000	153,260	488,260
2035	350,000	139,860	489,860
2036	365,000	125,860	490,860
2037	385,000	110,530	495,530
2038	405,000	94,360	499,360
2039	425,000	77,350	502,350
2040	445,000	59,288	504,288
2041	465,000	40,375	505,375
2042	485,000	20,613	505,613
Total	$ 8,000,000	$ 6,717,834	$ 14,717,834

NOTE 5 - INTER-FUND RECEIVABLES AND PAYABLES

Current inter-fund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2012, inter-fund balances comprised the following:

Fund	Inter-fund Receivable	Inter-fund Payable
General fund	$ 906,746	$ 560,257
Measure E	-	234,579
Special revenue funds:	-	-
Parkland	29,878	-
Reserves	14,439	5,214
Maintenance	-	38,909
Landscape	537,393	649,497
Total interfund receivable/payable	$ 1,488,456	$ 1,488,456

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description:
The District contributes to the California Public Employees' Retirement System (PERS); an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statue and District ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy:
Participants are required to contribute 7% of their annual covered salary. The District makes 5.5% of the contributions required of District employees on their behalf and for their account and the employees contribute 1.5%. The District is required to contribute at an actuarially determined rate; the current rate is 11.169% for non-safety employees of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost:
For 2012, the District's annual pension cost of $314,823 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method.

A summary of principle assumptions and methods used to determine the Annual Required Contribution (ARC) is shown below.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 Years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increase	3.55% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%

Three-Year Trend Information for PERS:

Fiscal Year	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
6/30/2010	$394,101	100%	$ -0-
6/30/2011	$362,993	100%	-0-
6/30/2012	$314,823	100%	-0-

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfounded actuarial accrued liability to payroll:

Valuation Date	(A) Accrued Liabilities (AL)	(B) Actuarial Value of Assets (AVA)	(C) Unfunded Liabilities [UL]	(D) Funded Ratio (AVA/AL)	(E) Annual Covered Payroll	(F) UL as a % Of Payroll
6/30/2006	$2,754,396,608	$2,492,226,176	$262,170,432	90.5%	$699,897,835	37.5%
6/30/2007	$2,611,746,790	$2,391,434,447	$220,312,343	91.6%	$665,522,859	33.1%
6/30/2008	$2,780,280,768	$2,547,323,278	$232,957,490	91.6%	$688,606,681	33.8%
6/30/2009	$3,104,798,222	$2,758,511,101	$346,287,121	88.9%	$742,981,488	46.6%
6/30/2010	$3,309,064,934	$2,946,408,106	$362,656,828	89.0%	$748,401,352	48.5%

NOTE 7 - RISK MANAGEMENT

The District manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below.

NOTE 7 - RISK MANAGEMENT (concluded)

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the District's responsibility.

The District is a member of a program through which certain specified and limited self-insured general liability, property loss and automobile liability are administered by the California Association for Park and Recreation Insurance (CAPRI) and shared by its participating members.

Complete audited financial statements for CAPRI can be obtained from CAPRI's office at 6341 Auburn Boulevard, Suite A, Citrus Heights, CA 95621.

CAPRI provides comprehensive general liability coverage with a $10,000,000 limit per occurrence for personal injury and property damage to which the coverage applies. There is no deductible to the District.

CAPRI also provides public officials and employee liability coverage with a $10,000,000 annual aggregate limit per member district because of a wrongful act(s) which occurs during the coverage period for which the coverage applies. There is a $25,000 deductible for any covered claim for wrongful termination payable by the District.

All-Risk Property Loss coverage including Boiler & Machinery coverage is subject to a $2,000 deductible per occurrence payable by the District.

CAPRI provides flood and earthquake coverage with an annual aggregate limit of $5,000,000 for all the member districts. The deductible for all loss or damage arising from the risks of flood and/or earthquake is $50,000 per occurrence or 5% of the value of the building, contents, and/or structure damaged, whichever is greater.

NOTE 8 - CONTINGENCIES

The District is involved in various claims and litigation arising in the ordinary course of business. District management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the District's financial position or results of operations.

NOTE 9 - PART-TIME AND SEASONAL EMPLOYEE RETIREMENT PLAN

The District uses a FICA alternative (457) plan for the District's seasonal and part-time employees. This plan satisfies the requirements of Internal Revenue Code Section 3121, which requires the District to either include these employees under the Social Security System or a qualified pension plan. The District contributed $17,372 during the year ended June 30, 2012.

NOTE 10 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time and permanent part-time employees, permits them to defer a portion of their salary until future years. Under this plan, participants are not taxed on the deferred portion of the compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

NOTE 11 - NET ASSETS AND FUND BALANCES

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Assets

Net assets are the excess of all the District's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital, net of related debt describes the portion of net assets that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net assets that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter. These include amounts for debt service requirements.

Unrestricted describes the portion of net assets that is not restricted to use.

B. Fund Equity

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

NOTE 11 - NET ASSETS AND FUND BALANCES (concluded)

B. Fund Equity (concluded)

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the District's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District's policy specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

NOTE 12 - TRANSFERS

Transactions which constitute reimbursement of a fund for expenditures initially made from that fund, which are properly attributable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of the expenditures in the fund that is reimbursed. The funds below were combined with the general fund in previous years. The following schedule summarizes the transfers in and out for the fiscal year ended June 30, 2012:

	Transfers in	Transfers out
Major Funds:		
General fund	$ -	$ 59,000
Measure E fund	-	96,000
Capital projects fund	59,000	-
Measure E Debt Service fund	96,000	-
Totals	$ 155,000	$ 155,000

NOTE 13 - SUBSEQUENT EVENTS

The District passed a resolution dated October 24, 2012 to obtain financing of $300,000 from Municipal Financing Corporation. The funds will be used to obtain furniture and equipment for the District's new Senior Center Facility. The installment agreement will be for a seven year period at an interest rate of 4.25%.

Pleasant Hill Recreation and Park District
GENERAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Budget and Actual
For the year ended June 30, 2012
(Unaudited)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 3,254,000	$ 3,307,830	$ 3,216,664	$ (91,166)
Non-recreation	292,500	275,000	273,390	(1,610)
Senior citizens	337,000	240,000	277,374	37,374
Winslow center	21,000	38,000	37,774	(226)
Community center rental	-	-	(66)	(66)
Redgers ranch	4,500	-	-	-
Adult activities	178,000	177,000	182,813	5,813
Athletics & teens	576,000	516,750	543,595	26,845
Preschool, youth, & special	438,500	401,800	442,926	41,126
Child care	280,000	312,000	306,697	(5,303)
Aquatics	349,000	332,700	338,146	5,446
Interest	10,000	4,000	4,583	583
Total revenues	5,740,500	5,605,080	5,623,896	18,816
Expenditures:				
Administration	363,130	358,910	376,444	(17,534)
Recreation	291,000	323,230	325,608	(2,378)
Senior citizens	591,720	459,840	504,912	(45,072)
Winslow center	84,250	47,520	54,452	(6,932)
Community center rental	467,530	465,810	476,673	(10,863)
Adult activities	205,930	195,390	175,765	19,625
Athletics & teens	566,500	541,090	559,644	(18,554)
Preschool, youth, & special	343,410	310,950	351,815	(40,865)
Child care	261,280	236,660	245,526	(8,866)
Aquatics	645,160	598,000	614,618	(16,618)
Communications	154,680	179,730	180,485	(755)
Parks	1,240,740	1,184,150	1,205,966	(21,816)
Capital outlay	211,000	233,850	193,141	40,709
Debt service:				
Principal	116,800	129,300	133,611	(4,311)
Interest	146,900	146,900	110,000	36,900
Total expenditures	5,690,030	5,411,330	5,508,660	(97,330)
Excess (deficit) of revenues over (under) expenditures	50,470	193,750	115,236	(78,514)
Other Financing Sources (Uses):				
Transfers out	(59,000)	(59,000)	(59,000)	-
Total Other Financing Sources (Uses)	(59,000)	(59,000)	(59,000)	-
Net change in Fund Balances	$ (8,530)	$ 134,750	56,236	$ (78,514)
Fund balances, beginning of period			129,499	
Fund balances, end of period			$ 185,735	