

**PLEASANT HILL RECREATION
AND PARK DISTRICT**

PLEASANT HILL, CALIFORNIA

BASIC FINANCIAL REPORT

JUNE 30, 2017

PLEASANT HILL RECREATION AND PARK DISTRICT

Basic Financial Statements
June 30, 2017

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PLEASANT HILL RECREATION AND PARK DISTRICT

Board of Directors
June 30, 2017

<u>NAME</u>	<u>TITLE</u>
Zac Shess	Chair
Bobby Glover	Vice Chair
Sandra Bonato	Secretary
Jennifer Ortega	Member
Andrew Pierce	Member

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Pleasant Hill Recreation and Park District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 opinions 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pleasant Hill Recreation and Park District as of June 30, 2017, 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 35, respectively, 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.

Fechter & Company, Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in black ink and is positioned to the left of the printed text below it.

Sacramento, California
January 3, 2018

PLEASANT HILL RECREATION AND PARK DISTRICT

Management Discussion and Analysis (Unaudited) For the Year Ended June 30, 2017

Pleasant Hill Recreation and Park District's (the "District") Management 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 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, which report 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 Position and the Statement of Activities

The Statement of Net Position 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 position as well as changes to the net position. Net position is 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 position is one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, additional non-financial factors are considered, 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 for District use to keep track of specific sources of funding and spending on particular programs:

PLEASANT HILL RECREATION AND PARK DISTRICT

Management Discussion and Analysis (Unaudited) For the Year Ended June 30, 2017

- 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 Position as of June 30, 2017 and 2016:

Table 1
Net Position

	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 5,916,769	\$ 5,566,891
Capital assets and bond issuance costs	37,388,930	37,389,026
Deferred outflows of resources	1,124,871	366,918
Total assets	<u>44,430,570</u>	<u>43,322,835</u>
Liabilities:		
Other liabilities	2,625,619	2,497,076
Long-term liabilities	32,770,534	32,243,346
Deferred inflows of resources	172,729	254,114
Total liabilities	<u>35,568,882</u>	<u>34,994,536</u>
Net Position:		
Invested in capital assets, net of related debt	7,073,304	7,128,095
Restricted	1,446,810	1,372,112
Unrestricted	341,574	(171,908)
Total net position	<u>\$ 8,861,688</u>	<u>\$ 8,328,299</u>

The District's net position was \$8,861,688 for the fiscal year ended June 30, 2017. Of this amount, \$341,574 was unrestricted. Restricted net position is 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.

PLEASANT HILL RECREATION AND PARK DISTRICT

Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

The following table summarizes the District's change in net position for the years ended June 30, 2017 and 2016:

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
Expenses:		
Recreation and parks	\$ 9,048,856	\$ 7,430,700
Interest expense	1,291,095	1,254,338
Total expenses	<u>10,339,951</u>	<u>8,685,038</u>
Revenues:		
Program revenues:		
Charges for services	4,709,109	4,259,035
Total program revenues	<u>4,709,109</u>	<u>4,259,035</u>
General revenues:		
Property taxes	6,152,796	5,600,246
Interest and other income	11,435	5,095
Total general revenues	<u>6,164,231</u>	<u>5,605,341</u>
Total revenue	<u>10,873,340</u>	<u>9,864,376</u>
Change in net position	<u>\$ 533,389</u>	<u>\$ 1,179,338</u>

Government Activities

For the 2017 fiscal year, the total District revenues were \$10,873,340 and the total District expenses were \$10,339,951. The difference of \$533,389 is the change in net position bringing the total net position to \$8,861,688 on June 30, 2017. The main sources of revenue for the District are charges for services and property taxes. The cost of all governmental activities was \$10,339,951 this year. District taxpayers ultimately financed \$6,152,796 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, 2017, the District had \$36,629,517 in a broad range of capital assets, including land, buildings, and furniture and equipment. The District uses \$5,000 as its capitalization threshold.

PLEASANT HILL RECREATION AND PARK DISTRICT

Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

Table 3
Capital Assets at Year End

	<u>2017</u>	<u>2016</u>
Land	\$ 6,638,913	\$ 6,638,913
Land and park improvements	10,331,203	10,065,003
Building and structure	27,705,334	27,705,334
Swimming pool	1,683,428	1,666,997
Furniture and equipment	2,195,778	2,150,980
Accumulated depreciation	(11,925,139)	(10,838,201)
Net capital assets	<u>\$ 36,629,517</u>	<u>\$ 37,389,026</u>

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, 2017, the District’s debt comprised:

General Obligation Bond – Measure E	\$ 25,595,000
Certificates of Participation	1,874,000
Municipal Finance Corporation FF&E loan	139,329
Total	<u>\$ 27,608,329</u>

General Fund Budgetary Highlights

The Pleasant Hill Recreation and Park District is pleased that Fiscal Year 2016-17 reflects an increase to the General Fund balance. The Board of Directors has diligently pursued strengthening its General Fund Reserve and funding Capital Improvement Projects through prudent budgeting and adoption of fiscal policies.

The District’s revenue increased by 9.4% over revenue collected in 2015-16. Once again increasing valuation for properties within District boundaries contributed to a 10% increase in tax revenue received by the District for Fiscal Year 2016-17. The District’s recreation programs had a strong year in both exceeding the previous year’s fees for service collected and controlling expenditures. The Departments, which increased revenues more than 5% over the previous period include: Seniors (8%), Community Center Rentals (15%), Preschool & Youth (11%), and Child Care (17%). Participation in these program areas continue to increase and new programming opportunities continue to drive the demand for service.

In addition to increasing revenue, the District continues to control costs and maximize its expenditures to improve its financial position. Expenditures across the District increased by only 4%, even with the increase in services provided by the District. In April 2017, the Board of Directors adopted Cost Recovery Policy, which provides the guidance to find ways to control costs and maximize revenue to insure efficient services are provided to our residents.

PLEASANT HILL RECREATION AND PARK DISTRICT

Management Discussion and Analysis (Unaudited) For the Year Ended June 30, 2017

In Fiscal Year 2016-17, the District authorized contracting with a new website service provider. The new website has improved the visibility of District services and improved transparency of governmental operations.

This fiscal year the District spent \$327,519 on capital improvement projects including completing the Pleasant Hill Park Pathway project, purchase of new website, purchase of a new bus, and maintenance at the pool. The District also transferred \$600,000 to its Capital Improvement Project (CIP) Fund to assist in completing future projects.

Significant accomplishments of the District from July 1, 2016 – June 30, 2017 include hiring of a new General Manager, finalizing purchase agreement with Contra Costa County to purchase 5-acre property on Oak Park Boulevard, adoption of cost recovery policy, completion of pathway project at Pleasant Hill Park, and purchase of new bus for transportation for youth programs.

In June 2017, the Board approved the sale of refinancing bonds that were issued subsequent to the June 30, 2017 fiscal year end. The refinancing bonds were issued to pay off the Series A Bonds that were issued in 2010 following the passage in 2009 of Measure E by District taxpayers. The original Series A bonds will be paid off in 2020 when they can be recalled. These refinancing bonds bear a lower interest rate compared to the original Series A Bonds. Due to this interest savings, this refinancing will save District taxpayers over \$2,225,000 dollars in payments over the remaining 20 years of this bond issue.

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 POSITION
JUNE 30, 2017

ASSETS

Cash and investments	\$	4,255,421
Restricted cash		1,446,810
Accounts receivable		214,538
Bond issuance costs, net		759,413
Non-depreciable capital assets		6,638,913
Depreciable capital assets, net		29,990,604

TOTAL ASSETS		43,305,699
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DEFERRED OUTFLOWS OF RESOURCES (NOTE 13)

Deferred pension expense		1,124,871
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LIABILITIES

Accounts payable		770,275
Accrued payroll		24,355
Deferred revenue		739,675
Accrued interest		1,091,314
Long-term debt:		
Net pension liability		4,023,230
Due within one year		788,524
Due after one year		27,676,375
Compensated absences		282,405
Total long-term liabilities		32,770,534

TOTAL LIABILITIES		35,396,153
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DEFERRED INFLOWS OF RESOURCES (NOTE 13)

Deferred pension income		172,729
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NET POSITION

Invested in capital assets, net of related debt		7,073,304
Restricted for:		
Debt service		1,446,810
Unrestricted		341,574

NET POSITION	\$	8,861,688
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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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Administration	\$ 609,008	\$ 401,488	\$ -	\$ -	\$ (207,520)
Recreation	478,412	-	-	-	(478,412)
Senior citizens	981,415	724,226	-	-	(257,189)
Winslow center	62,048	54,645	-	-	(7,403)
Community center rental	665,811	651,440	-	-	(14,371)
Adult activities	161,850	192,424	-	-	30,574
Athletics & teens	966,302	942,929	-	-	(23,373)
Preschool, youth, & special	549,529	855,443	-	-	305,914
Child care	270,770	539,815	-	-	269,045
Aquatics	710,385	346,699	-	-	(363,686)
Communications	288,455	-	-	-	(288,455)
Parks	1,298,487	-	-	-	(1,298,487)
Maintenance	466,915	-	-	-	(466,915)
Interest and fees	1,291,095	-	-	-	(1,291,095)
GASB 68 adjustment	437,246	-	-	-	(437,246)
Depreciation expense	1,102,223	-	-	-	(1,102,223)
Total Governmental Activities	\$ 10,339,951	\$ 4,709,109	\$ -	\$ -	(5,630,842)
General Revenues:					
					6,152,796
					11,435
					<u>6,164,231</u>
					533,389
					<u>8,328,299</u>
					<u>\$ 8,861,688</u>

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

PLEASANT HILL RECREATION AND PARK DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Landscape Fund	Measure E Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,734,378	\$ 39,083	\$ -	\$ 1,481,960	\$ 4,255,421
Restricted cash	210,127	-	1,236,683	-	1,446,810
Accounts receivable	214,538	-	-	-	214,538
Due from other funds	-	36,084	-	144,051	180,135
Total Assets	\$ 3,159,043	\$ 75,167	\$ 1,236,683	\$ 1,626,011	\$ 6,096,904
LIABILITIES					
Accounts payable and other	\$ 754,664	\$ -	\$ -	\$ 15,701	\$ 770,365
Accrued payroll	24,355	-	-	-	24,355
Deferred revenue	739,675	-	-	-	739,675
Due to other funds	143,167	-	-	36,968	180,135
Total Liabilities	1,661,861	-	-	52,669	1,714,530
FUND BALANCES					
Restricted	210,127	-	1,236,683	-	1,446,810
Assigned for:					
Special revenue funds	-	75,167	-	1,573,342	1,648,509
Unassigned	1,287,055	-	-	-	1,287,055
Total fund balances	1,497,182	75,167	1,236,683	1,573,342	4,382,374
Total liabilities and fund balances	\$ 3,159,043	\$ 75,167	\$ 1,236,683	\$ 1,626,011	\$ 6,096,904

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

**PLEASANT HILL RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

Fund Balances of Governmental Funds	\$ 4,382,374
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	36,629,517
Bond issue costs, net, related to the general obligation advanced refunding issue are not financial resources and, therefore, are not reported in the funds.	759,413
Deferred outflows of resources are not reported in the Statement of Net Position.	1,124,871
Some liabilities, including long-term debt, compensated absences and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(29,838,528)
The Net Pension Liability is not due and payable in the current period and as such, it is not reportable in the current period.	(4,023,230)
Deferred inflows of resources are not reported in the current period.	<u>(172,729)</u>
Net position of governmental activities	<u><u>\$ 8,861,688</u></u>

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, 2017

	General Fund	Landscape Fund	Measure E Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 4,289,395	\$ -	\$ 1,815,768	\$ 47,633	\$ 6,152,796
Administration	346,642	-	-	54,846	401,488
Senior citizens	724,226	-	-	-	724,226
Winslow center	54,645	-	-	-	54,645
Community center rental	651,440	-	-	-	651,440
Adult activities	192,424	-	-	-	192,424
Athletics & teens	942,929	-	-	-	942,929
Preschool, youth, & special	855,443	-	-	-	855,443
Child care	539,815	-	-	-	539,815
Aquatics	346,699	-	-	-	346,699
Interest	6,498	-	-	4,937	11,435
Total Revenues	8,950,156	-	1,815,768	107,416	10,873,340
Expenditures					
Administration	624,695	-	-	-	624,695
Recreation	478,412	-	-	-	478,412
Senior citizens	981,415	-	-	-	981,415
Winslow center	62,048	-	-	-	62,048
Community center rental	665,811	-	-	-	665,811
Adult activities	161,850	-	-	-	161,850
Athletics & teens	966,302	-	-	-	966,302
Preschool, youth, & special	549,529	-	-	-	549,529
Child care	270,770	-	-	-	270,770
Aquatics	710,385	-	-	-	710,385
Communications	288,456	-	-	-	288,456
Parks	1,253,281	-	-	45,206	1,298,487
Maintenance	466,915	-	-	-	466,915
Capital outlay	327,519	-	-	-	327,519
Debt service:					
Principal	172,968	-	560,000	-	732,968
Interest and fees	81,660	-	1,181,185	-	1,262,845
Total Expenditures	8,062,016	-	1,741,185	45,206	9,848,407
Excess (Deficit) of Revenues Over (Under) Expenditures	888,140	-	74,583	62,210	1,024,933
Other Financing Sources (Uses)					
Transfers in	-	-	-	749,806	749,806
Transfers out	(749,806)	-	-	-	(749,806)
Total Other Financing Sources (Uses)	(749,806)	-	-	749,806	-
Net change in Fund Balances	138,334	-	74,583	812,016	1,024,933
Fund Balances, beginning of period	1,358,848	75,167	1,162,100	761,326	3,357,441
Fund Balances, end of period	<u>\$ 1,497,182</u>	<u>\$ 75,167</u>	<u>\$ 1,236,683</u>	<u>\$ 1,573,342</u>	<u>\$ 4,382,374</u>

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

**PLEASANT HILL RECREATION AND PARK DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 1,024,933

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	327,519
Depreciation expense	(1,086,938)

Interest accrued on long-term debt is reported as an expenditure in the government-wide financial statements but not in the fund financial statements.

Repayments of long-term debt and capital leases are reported as an expense in the fund financial statements but as a reduction of debt in the statement of net assets.	704,719
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Amortization of bond issuance costs is reported as an expense on the statement of activities.	(15,285)
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Change in the accrued pension liability does not require usage of current financial resources.	(437,246)
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Changes in long-term compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>15,687</u>
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Change in net position of governmental activities	<u><u>\$ 533,389</u></u>
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The accompanying notes are an integral part of these financial statements.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

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 to 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, and 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, 2017, the District does not have any component units and is not a component unit of any other reporting entity.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

(a) Government-Wide and Fund Financial Statements:

The government-wide financial statements (the statement of net position 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 position 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.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Accounting Principles – continued

Fund Financial Statements - continued

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.

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 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.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Accounting Principles - continued

Fund Financial Statements - continued

(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.

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.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Cash and Investments - continued

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 expenditures 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:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
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

H. Deferred Revenue

Deferred revenue is recorded to the extent that funds are received ahead of time where it qualifies for income recognition.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

H. Deferred Revenue – continued

Deferred revenue consists primarily of class registration and rental fees received during the current year for programs or trips to be conducted subsequent to June 30, 2017. As of June 30, 2017, the deferred revenue balance was \$739,675.

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. 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, 2017, the liability for accrued vacation, administrative, and compensatory time-off leave was \$282,405. 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 position. 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

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Revenue Limit /Property Tax - continued

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.

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. Inter-Fund Transactions

Inter-fund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund 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 inter-fund 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, 2017, amounted to \$5,702,231 and was deposited in the following depositories:

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 2: CASH AND INVESTMENTS – continued

<u>Deposits and Investments</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Investment Risk</u>
Cash in County Treasury	\$ 3,317,171	\$ 3,317,171	AA
Cash in bank	430,138	430,138	N/A
Cash with fiscal agent (restricted)	210,127	210,127	N/A
Investments in LAIF (includes rest.)	<u>1,744,795</u>	<u>1,744,795</u>	Not Rated
Total cash and Investments	<u>\$ 5,702,231</u>	<u>\$ 5,702,231</u>	

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.

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

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 2: CASH AND INVESTMENTS – continued

B. Investments - continued

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, 2017 the carrying amount of the pool was \$77,559,119,072 and the estimated market value of the pool (including accrued interest) was \$77,616,683,602. The District's proportionate share of that value is \$1,744,795. 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 hour 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 \$210,127 restricted for debt service in the general fund and \$1,236,683 in the Measure E fund for debt service as of June 30, 2017.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 3: CAPITAL ASSETS

An analysis of fixed assets at June 30, 2017, is as follows:

<u>Governmental Activities</u>	<u>Balance 6/30/16</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/17</u>
Capital assets, not being depreciated:				
Land	\$ 6,638,913	\$ -	\$ -	\$ 6,638,913
Total capital assets, not being depreciated	<u>6,638,913</u>	<u>-</u>	<u>-</u>	<u>6,638,913</u>
Capital assets, being depreciated:				
Land and park improvements	10,065,003	266,200	-	10,331,203
Building and structure	27,705,334	-	-	27,705,334
Swimming pool	1,666,997	16,431	-	1,683,428
Furniture and equipment	2,150,980	44,798	-	2,195,778
Total capital assets, being depreciated	<u>41,588,314</u>	<u>327,429</u>	<u>-</u>	<u>41,915,743</u>
Less accumulated depreciation:				
Land and park improvements	(5,382,305)	(241,728)	-	(5,624,033)
Building and structure	(2,839,360)	(557,557)	-	(3,396,917)
Swimming pool	(934,223)	(46,473)	-	(980,696)
Furniture and equipment	(1,682,313)	(241,180)	-	(1,923,493)
Total accumulated depreciation	<u>(10,838,201)</u>	<u>(1,086,938)</u>	<u>-</u>	<u>(11,925,139)</u>
Total capital assets being depreciated – net	<u>30,750,113</u>	<u>(759,509)</u>	<u>-</u>	<u>29,990,604</u>
Capital assets – net	<u>\$ 37,389,026</u>	<u>\$ (759,509)</u>	<u>\$ -</u>	<u>\$ 36,629,517</u>

Depreciation expense of \$1,086,938 was charged to the parks & recreation function.

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, 2017:

	<u>6/30/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/17</u>	<u>Current</u>
General obligation	26,155,000	\$ -	\$ 560,000	\$ 25,595,000	\$ 605,000
Issuance/premiums, net	(75,967)	-	-	(75,967)	-
Loan payable	182,038	-	42,709	139,329	44,524
2013 COP	2,005,000	-	131,000	1,874,000	139,000
Accrued interest	1,062,325	28,991	-	1,091,316	-
Net pension liability	2,746,646	1,276,584	-	4,023,230	-
Compensated absences	298,092	-	15,687	282,405	-
Total	<u>\$ 32,373,134</u>	<u>\$ 1,305,575</u>	<u>\$ 749,396</u>	<u>\$ 32,929,313</u>	<u>\$ 1,879,840</u>

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 4: LONG-TERM DEBT – continued

B. Certificates of Participation (“COP”)

The District issued certificates of participation in August of 2013 to refinance the prior two certificates. The total amount of the issue was \$2,366,000 with an interest rate bearing 3.65%. The 2013 certificates mature as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2018	\$ 139,000	\$ 68,401	\$ 207,401
2019	142,000	63,328	205,328
2020	150,000	58,145	208,145
2021	153,000	52,670	205,670
2022	160,000	47,085	207,085
2023-2027	892,000	143,482	1,035,482
2028-2030	<u>238,000</u>	<u>17,447</u>	<u>255,447</u>
Total	<u>\$ 1,874,000</u>	<u>\$ 450,558</u>	<u>\$ 2,324,558</u>

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 two issues of these Measure E bonds were \$28,000,000 with an average interest rate of 4.63%. the Series A certificates mature through 2041 as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
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
2023-2027	2,865,000	3,563,900	6,428,900
2028-2032	3,610,000	2,811,750	6,421,750
2033-2037	4,580,000	1,842,195	6,422,195
2038-2041	<u>4,555,000</u>	<u>583,500</u>	<u>5,138,500</u>
Total	<u>\$ 17,985,000</u>	<u>\$ 12,851,020</u>	<u>\$ 30,836,020</u>

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 4: LONG-TERM DEBT – continued

The Series B certificates mature through 2042 as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2018	\$ 160,000	\$ 333,810	\$ 493,810
2019	165,000	327,410	492,410
2020	175,000	320,810	495,810
2021	180,000	313,810	493,810
2022	190,000	306,610	496,610
2023-2027	1,100,000	1,398,050	2,498,050
2028-2032	1,355,000	1,100,050	2,455,050
2033-2037	1,675,000	763,300	2,438,300
2038-2042	2,125,000	381,903	2,506,903
2043	485,000	20,613	505,613
Total	<u>\$ 7,610,000</u>	<u>\$ 5,266,366</u>	<u>\$ 12,876,366</u>

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, 2017, inter-fund balances comprised the following:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General fund	\$ -	\$ 143,167
Special revenue funds:		
Landscape	36,084	-
Other	144,051	36,968
Total inter-fund receivable/payable	<u>\$ 180,135</u>	<u>\$ 180,135</u>

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 statute and District

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN - continued

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 is required to contribute at an actuarially determined rate that varies by tier of plan. The contribution requirements of plan members and the District are established and may be amended by PERS. The fiscal year 2016/2017 rates are as follows:

Tier	Misc.	PEPRA
Tier 1	8.880%	6.555%
Tier 2	7.159%	n/a

The contribution requirements of plan members and the District are established and may be amended by PERS. PERS has changed its methodology of calculating its unfunded liability payments as it no longer incorporates these payments into the overall contribution rates. The following is a schedule of the unfunded liability payments made during the 2016/2017 fiscal year:

Tier	Misc.	PEPRA
Tier 1	\$ 187,647	\$ 485
Tier 2	\$ -	n/a

At June 30, 2017 the District reported a liability of \$4,023,230 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$840,761 in its government-wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial, gain/loss, actuarial assumptions or method, and plan benefits.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN - continued

Actuarial Assumptions (continued)

- Discount Rate/Rate of Return – 7.5%, net of investment expense
- Inflation Rate – 2.75%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using PERS’ Membership Data for all Funds

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2015.

The long-term expected rate of return on pension plan investments (7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47.0%	5.71%
Global Fixed Income	19.0%	2.43%
Inflation Sensitive	6.0%	3.36%
Private Equity	12.0%	6.95%
Real Estate	11.0%	5.13%
Infrastructure and Forestland	3.0%	5.09%
Liquidity	2.0%	(1.05)%

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension

NOTE 6: DEFINED BENEFIT PENSION PLAN - continued

Actuarial Assumptions (continued)

plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension plan liability	\$ 6,123,025	\$ 4,023,230	\$ 2,287,853

Detailed information about the pension fund's fiduciary net position is available in the separately issued PERS comprehensive annual financial report which may be obtained by contacting PERS.

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.

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.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 7: RISK MANAGEMENT - continued

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 \$22,680 during the year ended June 30, 2017.

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,

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 10: DEFERRED COMPENSATION PLAN - continued

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 POSITION 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. GASB 63 changed this terminology to "Net Position".

A. Net Position

Net position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which are 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.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

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.

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.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

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, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ 749,806
Other funds	749,806	-
Totals	<u>\$ 749,806</u>	<u>\$ 749,806</u>

NOTE 13: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63 (defined in footnote No. 1), the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Government-Wide Statement of Net Position as Deferred Outflows of Resources, which is related to pensions that are the PERS premiums for the 2017 fiscal year, which will be recognized in a subsequent reporting period. The total for this is \$398,229. These were the employer contributions for the 2017 fiscal year.

The District is also reporting deferred outflows of resources relating to differences between projected and actual investment earnings, change in employer proportions and differences between the employer’s contributions, and their proportionate share of contributions. The total of these amounts at year-end were \$726,642 and they will be amortized over a 3.8 year period.

The District also recognized deferral inflows of resources in the government-wide financial statements. These are related to differences between expected and actual experience, changes of assumptions, and differences between employer’s contributions and the District’s proportionate share of contributions. This amount total \$172,729 and will be amortized over a 3.8 year period.

Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned but are not available to finance expenditures in the current period.

PLEASANT HILL RECREATION AND PARK DISTRICT

Notes to Basic Financial Statements
For The Year Ended June 30, 2017

NOTE 13: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES - continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 40,654
2018	52,876
2019	294,571
2020	165,811
Total	<u>\$ 553,912</u>

NOTE 14: SUBSEQUENT EVENTS

Subsequent events were reviewed through January 3, 2018. There was one event found that will materially affect the District's financial position. In August 2017, the District issued approximately \$17.5 million in refinancing bonds. The proceeds from this sale are committed to pay off Series A Bonds issued in 2010 that may be called in 2020. The Series A Bonds were issued as part of voter approved 2009 Measure E bond initiative. The purpose of this refinancing bond sale was to take advantage of lower interest rates existing in today's bond market versus the rates that existed in 2010. It is anticipated that this bond refinancing will save District taxpayers in excess of \$2,225,000 dollars in bond payments over the final 20 year term of the original Series A Bonds.

**PLEASANT HILL RECREATION AND PARK DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
Revenues				
Property taxes	\$ 3,874,000	\$ 4,181,000	\$ 4,289,395	\$ 108,395
Non-recreation	228,000	425,000	346,642	(78,358)
Senior citizens	592,000	672,000	724,226	52,226
Winslow center	42,000	40,000	54,645	14,645
Community center rental	490,000	535,000	651,440	116,440
Adult activities	202,000	196,000	192,424	(3,576)
Athletics & teens	833,300	893,500	942,929	49,429
Preschool, youth, & special	742,200	729,200	855,443	126,243
Child care	330,000	380,000	539,815	159,815
Aquatics	387,500	392,000	346,699	(45,301)
Interest	6,000	6,000	6,498	498
Total Revenues	<u>7,727,000</u>	<u>8,449,700</u>	<u>8,950,156</u>	<u>500,456</u>
Expenditures				
Administration	545,100	726,900	624,695	102,205
Recreation	479,260	503,525	478,412	25,113
Senior citizens	843,970	946,770	981,415	(34,645)
Winslow center	60,775	64,850	62,048	2,802
Community center rental	572,557	643,660	665,811	(22,151)
Adult activities	171,390	166,920	161,850	5,070
Athletics & teens	823,950	883,650	966,302	(82,652)
Preschool, youth, & special	560,440	576,310	549,529	26,781
Child care	278,530	277,380	270,770	6,610
Aquatics	725,570	749,530	710,385	39,145
Communications	293,790	300,550	288,456	12,094
Parks	1,250,700	1,259,810	1,253,281	6,529
Maintenance	418,950	463,300	466,915	(3,615)
Capital outlay	303,000	570,000	327,519	242,481
Debt service:				
Principal	162,300	173,000	172,968	32
Interest	93,700	87,500	81,660	5,840
Total Expenditures	<u>7,583,982</u>	<u>8,393,655</u>	<u>8,062,016</u>	<u>331,639</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>143,018</u>	<u>56,045</u>	<u>888,140</u>	<u>832,095</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(40,000)	(749,806)	709,806
Total Other Financing Sources (Uses)	<u>-</u>	<u>(40,000)</u>	<u>(749,806)</u>	<u>709,806</u>
Net change in Fund Balances			<u>138,334</u>	
Fund Balances, beginning of period			<u>1,358,848</u>	
Fund Balances, end of period			<u>\$ 1,497,182</u>	

**PLEASANT HILL RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
JUNE 30, 2017**

Pleasant Hill Recreation and Park District – Schedule of the District’s proportionate share of the Net Pension Liability:

Last 10 Fiscal years*:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
District’s proportion of the net pension liability	Varies by plan	.11478%	.11581%
District’s proportionate share of the net pension liability	\$ 3,039,847	\$ 2,746,646	\$ 4,023,230
District’s covered employee payroll	1,822,492	2,063,113	2,360,127
District’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.79%	133.13%	170.47%
Plan Fiduciary net position as a percentage of the total pension liability	78.05%	80.34%	74.20%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

CALPERS - Schedule of District contributions

Last 10 Fiscal Years*:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Actuarially determined contribution	\$ 258,016	\$ 294,229	\$ 366,918
Total actual contributions	258,016	294,229	366,918
Contribution deficiency (excess)	\$ -	\$ -	\$ 366,918
District’s covered-employee payroll	\$ 1,822,492	\$ 2,063,113	\$ 2,360,127
Contributions as a percentage of covered employee payroll	14.16%	14.26%	15.54%