

PLEASANT HILL RECREATION AND PARK DISTRICT

PLEASANT HILL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
Board of Directors	1
FINANCIAL SECTION:	
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet with the Governmental Activities Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Change in Net Position of Governmental Activities	14
Notes to Basic Financial Statements	15-34
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	35
Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Miscellaneous	36
Schedule of Contributions – Miscellaneous	37

Pleasant Hill Recreation and Park District

BOARD OF DIRECTORS

June 30, 2020

<u>NAME</u>	<u>TITLE</u>
Jennifer Ortega	Chair
Andrew Pierce	Vice Chair
Zac Shess	Secretary
Sandra Bonato	Member
Bobby Glover	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 and 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, 2020, and the related notes to the financial statements, which collectively comprise Pleasant Hill Recreation and Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2020, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability information on pages 4-8 and 35-37, 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
January 11, 2021

Pleasant Hill Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020

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 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 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, 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.

Pleasant Hill Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2020

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,

	<u>Table 1</u> <u>Net Position</u>	
	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 27,791,495	\$ 24,811,650
Capital assets	<u>39,657,363</u>	<u>35,268,310</u>
Total assets	<u>67,448,858</u>	<u>60,079,960</u>
Deferred outflows of resources	<u>1,147,478</u>	<u>1,143,298</u>
Liabilities:		
Current liabilities	7,891,228	3,114,357
Long-term liabilities	<u>52,096,473</u>	<u>50,480,712</u>
Total liabilities	<u>59,987,701</u>	<u>53,595,069</u>
Deferred inflows of resources	<u>281,421</u>	<u>274,784</u>
Net Position:		
Invested in capital assets, net of related debt	8,528,187	7,751,054
Restricted	18,110,799	19,234,401
Unrestricted	<u>(18,311,772)</u>	<u>(19,632,050)</u>
Total net position	<u>\$ 8,327,214</u>	<u>\$ 7,353,405</u>

The District's net position was \$8,327,214 for the fiscal year ended June 30, 2020. Of this amount, \$(18,311,772) 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 that net position for day-to-day operations.

Pleasant Hill Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2020

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

Table 2
Changes in Net Position

	2020	2019
Expenses		
Recreation and parks	\$ 8,035,819	\$ 9,711,005
Interest expense	1,840,890	1,680,436
Total expenses	9,876,709	11,391,441
Revenues		
Program revenues:		
Charges for services	4,454,386	4,794,807
Total program revenues	4,454,386	4,794,807
General revenues		
Property taxes	5,943,390	6,266,749
Interest and other income	452,742	649,131
Total general revenues	6,396,132	6,915,880
Total revenues	10,850,518	11,710,687
Change in net position	\$ 973,809	\$ 319,246

Government Activities

For the 2020 fiscal year, the total District revenues were \$10,850,518 and the total District expenses were \$9,876,709. The difference of \$973,809 is the change in net position bringing the total net position to \$8,327,214 on June 30, 2020. The main sources of revenue for the District are charges for services and property taxes. The cost of all governmental activities was \$9,876,709 this year. District taxpayers ultimately financed \$5,943,390 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, 2020, the District had \$39,657,363 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

	2020	2019
Land	\$ 10,993,913	\$ 6,638,913
Land and park improvement	11,412,692	10,666,814
Building and structure	27,829,779	29,557,261
Swimming pool	1,716,125	1,683,428
Furniture and equipment	2,358,960	2,331,593
Accumulated depreciation	(14,654,106)	(15,609,699)
Net capital assets	\$ 39,657,363	\$ 35,268,310

Pleasant Hill Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2020

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, 2020, the District's debt comprised:

	2020	2019
General Obligation Bond – Measure E	\$ 23,715,000	\$ 24,365,000
Certificates of Participation	1,443,000	1,593,000
2017 General Obligation Bond	16,360,000	16,845,000
Oak Park Lease	4,355,000	-
Total	<u>\$ 45,873,000</u>	<u>\$ 42,803,000</u>

General Fund Budgetary Highlights

For the past 9 years, the Pleasant Hill Recreation and Park District has achieved a budgetary surplus of revenue exceeding expenditures with a positive change in net position from fiscal year 2019/20. In March 2020, Contra Costa County issued a local Shelter-in-Place order due to the global pandemic. At that time, the District's services moved from in-person to virtual and revenue for the fourth quarter was non-existent. Despite the loss of over \$1.4 million in revenue from cancelled rentals, events, classes and camps the District was able to end the fiscal year with a positive net position without using any reserve funds. In March management took significant measures to reduce expenditures including eliminating staff positions and expenses related to direct program service.

During the first three quarters of the fiscal year the District was on target to hit or exceed budgeted revenue and expenditure goals. The District's revenues are balanced between fees for service and property taxes and assessments. Even with the global pandemic interrupting service delivery and revenue generation District operations were supported 45% by fees for service and 55% by property taxes and assessments. A typical year the District revenues are evenly split 50/50 between fees for service and property taxes.

Activity participation in the previous fiscal year was over 55,000 registrations. During this stunted year activity participation was 38,600 for three quarters which is a 30% decrease in participation. The fourth quarter is typically one of the most robust for the District. We anticipate participation levels to return to pre-pandemic levels when local and state health orders allow for a return to more normal programming levels. Activities that were cancelled included weddings, youth and adult sports leagues, classes, camps, preschool and special events.

In June 2020 the District finalized its purchase of 5-acres of land from Contra Costa County for future development of a sports park adjacent to the City of Pleasant Hill's future library. Securing the undeveloped land for future parkland was a high priority for the community. The District was able to take advantage of low interest rates to secure a competitive loan for purchase of the land and our commitment to infrastructure development with our partners the City of Pleasant Hill and Contra Costa County.

The positive fiscal position of the District in the wake of an unexpected interruption of service due to a global pandemic illustrates the successful implementation of various financial policies by District management which have allowed the District to weather turbulent fiscal times. Those policies include the Cost Recovery Policy, Debt Management Policy, deferral of some capital projects, reduction of staff where possible, and monthly review of the expenditures and revenue by the elected Board of Directors.

Pleasant Hill Recreation and Park District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2020

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, 2020

ASSETS:

Cash and investments	\$ 25,537,189
Restricted cash	1,440,697
Accounts receivable	758,741
Prepaid items	54,868
Non-depreciable capital assets	10,993,913
Depreciable capital assets, net	<u>28,663,450</u>
Total assets	<u>67,448,858</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows pension	<u>1,147,478</u>
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LIABILITIES:

Accounts payable	3,575,061
Accrual payroll	9,455
Deferred revenue	1,206,134
Accrued interest	1,394,789
Compensated absences	293,175
Other liabilities	6,614
Long-term liabilities:	
Due within one year:	
Certificate of participation payable	153,000
General obligation bonds	1,170,000
2020 Oak Park lease	83,000
Due after one year:	
Measure E general obligation bond	23,045,000
Measure E general obligation bond premium	864,722
Certificate of participation payable	1,290,000
2017 General obligation bond	15,860,000
2017 Bond premium	1,777,464
2020 Oak Park lease	4,272,000
Net pension liability	<u>4,987,287</u>
Total due after one year	<u>52,096,473</u>
Total liabilities	<u>59,987,701</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows pension	<u>281,421</u>
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NET POSITION:

Invested in capital assets, net of related debt	8,528,187
Restricted for:	
Debt service	18,110,799
Unrestricted	<u>(18,311,772)</u>
Total net position	<u>\$ 8,327,214</u>

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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	Revenue and
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	Changes in
					<u>Total</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Administration	\$ 621,277	\$ 1,293,597	\$ -	\$ -	\$ 672,320
Senior citizens	1,404,240	662,353	-	-	(741,887)
Winslow center	107,108	46,031	-	-	(61,077)
Community center rental	861,307	522,972	-	-	(338,335)
Adult activities	278,035	121,564	-	-	(156,471)
Athletics & teens	1,039,783	674,754	-	-	(365,029)
Preschool, youth, & special	696,788	588,727	-	-	(108,061)
Child care	470,510	364,682	-	-	(105,828)
Aquatics	709,117	179,706	-	-	(529,411)
Communications	370,037	-	-	-	(370,037)
Parks	1,413,228	-	-	-	(1,413,228)
Maintenance	64,389	-	-	-	(64,389)
Interest and fees	1,840,890	-	-	-	(1,840,890)
Total governmental activities	<u>\$ 9,876,709</u>	<u>\$ 4,454,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(5,422,323)</u>
General revenues:					
Taxes					5,943,390
Use of money					452,742
Total general revenues					<u>6,396,132</u>
Change in net assets					<u>973,809</u>
Net position beginning of period					<u>7,353,405</u>
Net position ending of period					<u>\$ 8,327,214</u>

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

Pleasant Hill Recreation and Park District
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	General	Landscape Fund	Measure E Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 5,572,155	\$ 27,191	\$ 16,885,810	\$ 3,052,033	\$ 25,537,189
Restricted cash	217,385	-	1,223,312	-	1,440,697
Accounts receivable	758,741	-	-	-	758,741
Due from other funds	-	47,976	1,677	44,246	93,899
Prepaid items	54,868	-	-	-	54,868
Total assets	<u>\$ 6,603,149</u>	<u>\$ 75,167</u>	<u>\$ 18,110,799</u>	<u>\$ 3,096,279</u>	<u>\$ 27,885,394</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 3,560,038	\$ -	\$ -	\$ 15,024	\$ 3,575,062
Accrued payroll	9,455	-	-	-	9,455
Deferred revenue	1,206,134	-	-	-	1,206,134
Due to other funds	79,261	-	-	14,638	93,899
Other liabilities	6,614	-	-	-	6,614
Total liabilities	<u>4,861,502</u>	<u>-</u>	<u>-</u>	<u>29,662</u>	<u>4,891,164</u>
<u>FUND BALANCES</u>					
Restricted	217,385	-	18,110,799	-	18,328,184
Nonspendable for prepaid items	54,868	-	-	-	54,868
Assigned for:					
Special revenue funds	-	75,167	-	3,066,617	3,141,784
Unassigned	1,469,394	-	-	-	1,469,394
Total fund balances	<u>1,741,647</u>	<u>75,167</u>	<u>18,110,799</u>	<u>3,066,617</u>	<u>22,994,230</u>
Total liabilities and fund balances	<u>\$ 6,603,149</u>	<u>\$ 75,167</u>	<u>\$ 18,110,799</u>	<u>\$ 3,096,279</u>	<u>\$ 27,885,394</u>

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 POSITION
 For the year ended June 30, 2020

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 22,994,230

Amounts reported for Governmental Activities in the Statement of Net Position 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. 39,657,364

LONG-TERM LIABILITIES

The liabilities below are not due and payable in the current period and therefore are not reported in the Fund Financial Statements.

Accrued interest payable	(1,394,789)
General Obligation bond	(23,715,000)
2013 Certificate of Participation	(1,443,000)
2017 General Obligation bond	(16,360,000)
Oak Park Lease debt	(4,355,000)
Bond premium	(2,642,186)
Deferred inflows pension	(281,421)
Deferred outflows pension	1,147,478
Net pension liability	(4,987,287)
Non-current portion of compensated absences	<u>(293,175)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 8,327,214

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, 2020

	General	Landscape Fund	Measure E Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 4,218,299	\$ -	\$ 1,676,975	\$ 48,116	\$ 5,943,390
Non-recreation	857,224	-	-	436,373	1,293,597
Senior citizens	662,353	-	-	-	662,353
Winslow center	46,031	-	-	-	46,031
Community center rental	522,972	-	-	-	522,972
Adult activities	121,564	-	-	-	121,564
Athletics & teens	674,754	-	-	-	674,754
Preschool, youth, & special	588,727	-	-	-	588,727
Child care	364,682	-	-	-	364,682
Aquatics	179,706	-	-	-	179,706
Interest	42,687	-	361,161	48,894	452,742
Total revenues	<u>8,278,999</u>	<u>-</u>	<u>2,038,136</u>	<u>533,383</u>	<u>10,850,518</u>
Expenditures:					
Administration	621,277	-	-	-	621,277
Senior citizens	1,404,240	-	-	-	1,404,240
Winslow center	107,108	-	-	-	107,108
Community center rental	861,307	-	-	-	861,307
Adult activities	278,035	-	-	-	278,035
Athletics & teens	1,039,783	-	-	-	1,039,783
Preschool, youth, & special	696,788	-	-	-	696,788
Child care	470,510	-	-	-	470,510
Aquatics	709,117	-	-	-	709,117
Communications	370,037	-	-	-	370,037
Parks	1,373,786	-	-	-	1,373,786
Maintenance	-	-	-	64,389	64,389
Capital outlay	3,937,487	-	-	-	3,937,487
Debt service:					
Bond issuance costs	103,396	-	-	-	103,396
Interest	60,201	-	1,811,678	-	1,871,879
Principal	198,389	-	1,135,000	-	1,333,389
Total expenditures	<u>12,231,461</u>	<u>-</u>	<u>2,946,678</u>	<u>64,389</u>	<u>15,242,528</u>
Excess (deficit) of revenues over (under) expenditures	<u>(3,952,462)</u>	<u>-</u>	<u>(908,542)</u>	<u>468,994</u>	<u>(4,392,010)</u>
Other financing sources (uses):					
Issuance of debt	4,355,000	-	-	-	4,355,000
Debt premium	-	-	-	-	-
Transfers in	-	-	-	1,013,219	1,013,219
Transfers out	(316,540)	-	-	(696,679)	(1,013,219)
Total other financing sources (uses)	<u>4,038,460</u>	<u>-</u>	<u>-</u>	<u>316,540</u>	<u>4,355,000</u>
Net change in fund balances	<u>85,998</u>	<u>-</u>	<u>(908,542)</u>	<u>785,534</u>	<u>(37,010)</u>
Fund balances, beginning of period	<u>1,655,649</u>	<u>75,167</u>	<u>19,019,341</u>	<u>2,281,083</u>	<u>23,031,240</u>
Fund balances, end of period	<u>\$ 1,741,647</u>	<u>\$ 75,167</u>	<u>\$ 18,110,799</u>	<u>\$ 3,066,617</u>	<u>\$ 22,994,230</u>

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 POSITION OF GOVERNMENTAL ACTIVITIES

For the year ended June 30, 2020

Total net change in fund balances - governmental funds	\$	(37,010)
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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		5,266,282
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Depreciation expense is deducted from the fund balance		(877,228)
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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 Position.

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.		(4,355,000)
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Repayment of debt principal is added back to the fund balance		1,333,389
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Bond premium amortization is added back to the fund balance		134,385
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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):

Pension expense		(409,426)
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Accrued interest payable		(60,841)
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Long-term compensated absences		(20,742)
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Changes in net position of governmental activities	\$	<u>973,809</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, 2020

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, 2020, 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.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 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.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position 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.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 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 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. Appropriations exceeded budget amounts by \$3,149,075.

E. Cash and Investments

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

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments (concluded)

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:

<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

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Revenue

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

Deferred revenue consists primarily of class registration fees and rental fees received during the current year for programs or trips to be conducted subsequent to June 30, 2020.

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.

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 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.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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.

N. Deferred Inflows and Deferred Outflows of Revenue

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

O. Pensions

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

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, 2020, amounted to \$26,977,886 and was deposited in the following depositories:

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (concluded)

<u>Deposits and Investments</u>	<u>Carrying Amount</u>
Cash in County Treasury	\$ 1,751,159
Cash in bank	20,739,105
Cash with fiscal agent (restricted)	217,385
Investment in LAIF (includes restricted)	<u>4,270,237</u>
Total cash and investments	<u>\$ 26,977,886</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 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).

Fair Value Reporting - Investments

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the District's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The District's holdings are classified in Level 1 of the fair value hierarchy.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CAPITAL ASSETS

An analysis of fixed assets at June 30, 2020, is as follows:

<u>Governmental Activities</u>	<u>Balance 6/30/19</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/20</u>
Capital assets, not being depreciated:				
Land	\$ 6,638,913	\$ 4,355,000	\$ -	\$ 10,993,913
Construction in progress	<u>281,563</u>	<u>-</u>	<u>281,563</u>	<u>-</u>
Total capital assets, not being depreciated	<u>6,920,476</u>	<u>4,355,000</u>	<u>281,563</u>	<u>10,993,913</u>
Capital assets, being depreciated:				
Land and park improvements	10,385,251	1,027,441	-	11,412,692
Building and structure	29,557,261	-	1,727,482	27,829,779
Swimming pool	1,683,428	32,697	-	1,716,125
Furniture and equipment	<u>2,331,593</u>	<u>27,366</u>	<u>-</u>	<u>2,358,959</u>
Total capital assets, being depreciated	<u>43,957,533</u>	<u>1,087,504</u>	<u>1,727,482</u>	<u>43,317,555</u>
Less accumulated depreciation for:				
Land and park improvements	(6,066,104)	(254,279)	-	(6,320,383)
Building and structure	(6,327,668)	1,285,662	-	(5,042,006)
Swimming pool	(1,048,482)	(38,698)	-	(1,087,180)
Furniture and equipment	<u>(2,167,445)</u>	<u>(37,091)</u>	<u>-</u>	<u>(2,204,536)</u>
Total accumulated depreciation	<u>(15,609,699)</u>	<u>955,594</u>	<u>-</u>	<u>(14,654,105)</u>
Total capital assets being deprec. – net	<u>28,347,834</u>	<u>2,043,098</u>	<u>1,727,482</u>	<u>28,663,450</u>
Capital assets – net	<u>\$ 35,268,310</u>	<u>\$ 6,398,098</u>	<u>\$ 2,009,045</u>	<u>\$ 39,657,363</u>

Depreciation expense of \$877,228 was charged to the park 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, 2020:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Current</u>
General obligation	\$ 24,365,000	\$ -	\$ 650,000	\$ 23,715,000	\$ 670,000
Loan payable	48,390	-	48,390	-	-
2013 COP	1,593,000	-	150,000	1,443,000	153,000
2017 General obligation	16,845,000	-	485,000	16,360,000	500,000
Oak Park Lease	-	4,355,000	-	4,355,000	83,000
Accrued interest	1,333,948	60,841	-	1,394,789	-
Net pension liability	4,580,318	406,969	-	4,987,287	-
Compensated absences	<u>272,433</u>	<u>20,742</u>	<u>-</u>	<u>293,175</u>	<u>-</u>
Total	<u>\$ 49,038,089</u>	<u>\$ 4,843,552</u>	<u>\$ 1,333,390</u>	<u>\$ 52,548,251</u>	<u>\$ 1,406,000</u>

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 4 - LONG-TERM DEBT (continued)

B. Certificates of Participation ("COP")

The District issued certifications of participation in August of 2013 to refinance the two prior 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>
2021	\$ 153,000	\$ 52,670	\$ 205,670
2022	160,000	47,084	207,084
2023	168,000	41,244	209,244
2024	170,000	35,111	205,111
2025	177,000	28,908	205,908
2026	183,000	22,448	205,448
2027	194,000	15,768	209,768
2028	79,000	8,687	87,687
2029	78,000	5,804	83,804
2030	<u>81,000</u>	<u>2,957</u>	<u>83,957</u>
Total	<u>\$ 1,443,000</u>	<u>\$ 246,225</u>	<u>\$ 1,689,225</u>

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - LONG-TERM DEBT (continued)

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>
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	<u>1,225,000</u>	<u>10,374,595</u>	<u>26,979,595</u>
Total	<u>\$ 16,605,000</u>	<u>\$ 10,374,595</u>	<u>\$ 26,979,595</u>
Net premium	<u>\$ 864,722</u>	<u>\$ -</u>	<u>\$ 864,722</u>

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - LONG-TERM DEBT (continued)

C. Measure E General Obligation Bond (concluded)

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>
2020	\$ 180,000	\$ 313,810	\$ 495,830
2021	190,000	306,610	498,631
2022	200,000	299,010	501,032
2023	210,000	291,010	503,033
2024	220,000	280,510	502,534
2025	230,000	269,510	501,535
2026	240,000	258,010	500,036
2027	250,000	246,010	498,037
2028	260,000	233,510	495,538
2029	270,000	220,510	492,539
2030	280,000	207,010	489,040
2031	295,000	193,010	490,041
2032	305,000	178,260	485,292
2033	320,000	166,060	488,093
2034	335,000	153,260	490,294
2035	350,000	139,860	491,895
2036	365,000	125,860	492,896
2037	385,000	110,530	497,567
2038	405,000	94,360	501,398
2039	425,000	77,350	504,389
2040	445,000	59,288	506,328
2041	465,000	40,375	507,416
2042	485,000	20,613	507,655
Total	<u>\$ 7,110,000</u>	<u>\$ 4,284,336</u>	<u>\$ 11,441,049</u>

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - LONG-TERM DEBT (continued)

D. 2017 General Obligation Bond

The District issued general obligation bonds in December of 2017 to defease previous existing debt which were the initial Series A Measure E bonds which will be called and repaid when allowed. The note is paid in annual installments until the 2041 fiscal year at interest rates ranging between 2 and 5%.

The following is a schedule of payments:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 500,000	\$ 692,531	\$ 1,192,531
2022	510,000	677,756	1,187,756
2023	530,000	660,056	1,190,056
2024	555,000	639,256	1,194,256
2025	575,000	617,556	1,192,556
2026	610,000	592,081	1,202,081
2027	640,000	562,456	1,202,456
2028	670,000	531,206	1,201,206
2029	700,000	498,456	1,198,456
2030	735,000	464,206	1,199,206
2031	770,000	428,331	1,198,331
2032	815,000	390,706	1,205,706
2033	850,000	351,081	1,201,081
2034	880,000	317,956	1,197,956
2035	905,000	292,006	1,197,006
2036	935,000	265,231	1,200,231
2037	960,000	237,047	1,197,047
2038	990,000	207,438	1,197,438
2039	1,025,000	176,969	1,201,969
2040	1,075,000	135,875	1,210,875
2041	1,130,000	83,375	1,213,375
2042	-	28,250	28,250
Total	<u>\$ 16,360,000</u>	<u>\$ 8,849,827</u>	<u>\$ 25,209,827</u>
Net premium	<u>\$ 1,777,464</u>	<u>\$ -</u>	<u>\$ 1,777,464</u>

E. 2020 Lease Financing

The District entered a lease financing for the purchase of Oak Park for \$4,355,000 in June 2020. The debt is paid in bi-annual installments until the 2040 fiscal year at interest rate of 3.23%. The payments dates are on the first of the months of February and August.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - LONG-TERM DEBT (concluded)

E. 2020 Lease Financing (concluded)

The following is a schedule of payments:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 83,000	\$ 162,470	\$ 247,491
2022	115,000	137,081	254,103
2023	125,000	133,286	260,309
2024	135,000	129,168	266,192
2025	147,000	124,710	273,735
2026	159,000	119,865	280,891
2027	171,000	114,633	287,660
2028	183,000	109,013	294,041
2029	197,000	102,989	302,018
2030	210,000	96,529	308,559
2031	225,000	89,616	316,647
2032	240,000	82,236	324,268
2033	256,000	74,355	332,388
2034	273,000	65,957	340,991
2035	291,000	56,993	350,028
2036	309,000	47,449	358,485
2037	328,000	37,307	367,344
2038	347,000	26,567	375,605
2039	369,000	15,181	386,220
2040	<u>192,000</u>	<u>3,101</u>	<u>197,141</u>
Total	<u>\$ 4,355,000</u>	<u>\$ 1,728,506</u>	<u>\$ 6,124,116</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, 2020, inter-fund balances comprised the following:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General fund	\$ -	\$ 79,261
Measure E	1,677	-
Special revenue funds:		
Parkland	29,878	-
Reserves	14,368	5,214
Maintenance	-	9,424
Landscape	<u>47,976</u>	<u>-</u>
Total interfund receivable/payable	<u>\$ 93,899</u>	<u>\$ 93,899</u>

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

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 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 2019/2020 rates are as follows:

Tier	Miscellaneous	PEPRA
Tier 1	29.771%	7.228%
Tier 2	9.025%	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 2019/2020 fiscal year:

Tier	Miscellaneous	PEPRA
Tier 1	\$450,654	\$122,065
Tier 2	\$11,023	N/A

At June 30, 2020 the District reported a liability of \$4,987,287 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, 2019, 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.

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 was as follows:

<u>District's Miscellaneous Plan</u>	Miscellaneous
Proportion - June 30, 2018	.04753%
Proportion - June 30, 2019	.04867%
Change – Increase (Decrease)	.00114%

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)

For the year ended June 30, 2020, the District recognized pension expense of \$993,169. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 583,742	\$ -
Differences between actual and expected experience	319,550	-
Changes in assumptions	153,513	-
Net differences between projected and actual earnings on plan investments	-	87,193
Change in proportion and differences between actual contributions and proportionate share of contributions	90,673	194,228
Total	\$ 1,147,478	\$ 281,421

The \$583,742 amount reported as deferred outflows of resources related to contributions, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year Ended June 30

2021	\$ 300,989
2022	(88,523)
2023	52,229
2024	17,619
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2018 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.

- Discount Rate/Rate of Return - 7.15%, 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2016. Further details of the Experiences Study can be found on the CalPERS website.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 6 - DEFINED BENEFIT PENSION PLAN (concluded)

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:

<u>Class</u>	<u>Target Allocations</u>
Public Equity	49.0%
Private Equity	8.0%
Global Fixed Income	22.0%
Liquidity	3.0%
Real Assets	12.0%
Inflation Sensitive Assets	6.0%
Other	<u>0.0%</u>
Total	<u>100.00%</u>

The discount rate used to measure the total pension liability was 7.15 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. 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 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 (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$ 7,597,069	\$ 4,987,287	\$ 2,833,097

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.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 \$16,734 during the year ended June 30, 2020.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 POSITION AND FUND BALANCES

GASB Statement No. 34 added 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 position, 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 position 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 position 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 position 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.

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

NOTE 11 - NET POSITION 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, 2020:

	Transfers in	Transfers out
Major Funds:		
General Fund	\$ -	\$ 316,540
Other funds	1,013,219	696,679
Totals	\$ 1,013,219	\$ 1,013,219

Pleasant Hill Recreation and Park District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 - OPERATING LEASE COMMITMENTS

The District is under contract for three equipment operating leases to service its basic administrative needs. One Canon Copier is located at the Teen Center, and a Xerox Copier and Pitney Bowes Postage Meter is located in the administrative office, each with their own respective unsecured and renewable 60-month lease term. The District expended \$5,140 in the current period ending June 30, 2020 for these equipment leases. The future minimum lease payments in the aggregate are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 4,904
2022	4,332
2023	2,432
2024	<u>513</u>
Total	<u>\$ 12,181</u>

NOTE 14 - SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the District's operations includes restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

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, 2020
(Unaudited)

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Property taxes	\$ 3,999,500	\$ 3,999,500	\$ 4,218,299	\$ 218,799
Non-recreation	-	-	857,224	857,224
Senior citizens	718,500	718,500	662,353	(56,147)
Winslow center	51,000	51,000	46,031	(4,969)
Community center rental	755,000	755,000	522,972	(232,028)
Adult activities	134,200	134,200	121,564	(12,636)
Athletics	488,500	488,500	674,754	186,254
Teens	358,000	358,000	-	(358,000)
Preschool/youth	921,000	921,000	588,727	(332,273)
Special Events	90,000	90,000	-	(90,000)
Child care	507,000	507,000	364,682	(142,318)
Aquatics	349,170	349,170	179,706	(169,464)
Park maintenance	812,000	812,000	42,687	(769,313)
Total revenues	<u>9,183,870</u>	<u>9,183,870</u>	<u>8,278,999</u>	<u>(904,871)</u>
Expenditures:				
Administration	349,156	349,156	621,277	(272,121)
Senior citizens	1,492,161	1,492,161	1,404,240	87,921
Winslow center	99,251	99,251	107,108	(7,857)
Community center rental	1,007,218	1,007,218	861,307	145,911
Adult activities	137,013	137,013	278,035	(141,022)
Athletics	706,775	706,775	1,039,783	(333,008)
Teens	574,439	574,439	-	574,439
Preschool/youth	887,458	887,458	696,788	190,670
Special Events	245,264	245,264	-	245,264
Communications	391,322	391,322	370,037	21,285
Child care	450,891	450,891	470,510	(19,619)
Aquatics	833,532	833,532	709,117	124,415
Park maintenance	1,549,311	1,549,311	1,373,786	175,525
Capital outlay	-	-	3,937,487	(3,937,487)
Debt service:				
Bond issuance costs	100,005	100,005	103,396	(3,391)
Principal	60,201	60,201	60,201	-
Interest	198,389	198,389	198,389	-
Total expenditures	<u>9,082,386</u>	<u>9,082,386</u>	<u>12,231,461</u>	<u>(3,149,075)</u>
Excess (deficit) of revenues over (under) expenditures	<u>101,484</u>	<u>101,484</u>	<u>(3,952,462)</u>	<u>(4,053,946)</u>
Other financing sources (uses):				
Issuance of debt	102,000	102,000	4,355,000	4,253,000
Transfers out	-	-	(316,540)	(316,540)
Total other financing sources (uses)	<u>102,000</u>	<u>102,000</u>	<u>4,038,460</u>	<u>3,936,460</u>
Net change in fund balances	<u>\$ 203,484</u>	<u>\$ 203,484</u>	85,998	<u>\$ (117,486)</u>
Fund balances, beginning of period			<u>1,655,649</u>	
Fund balances, end of period			<u>\$ 1,741,647</u>	

Pleasant Hill Recreation and Park District
SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) - MISCELLANEOUS
 June 30, 2020

Measurement Date, June 30	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.11400%	0.12154%	0.11854%	0.11581%	0.11478%	0.11421%
Proportion share of the net pension liability	\$ 4,987,287	\$ 4,580,319	\$ 4,673,053	\$ 4,023,230	\$ 2,746,646	\$ 3,039,847
Covered - employee payroll	\$ 3,257,391	\$ 3,029,885	\$ 2,717,478	\$ 2,515,130	\$ 2,063,113	\$ 1,822,492
Proportionate share of the net pension liability as a percentage of covered-employee payroll	153.11%	154.25%	170.03%	170.47%	133.13%	166.80%
Plan fiduciary net position as a percentage of the total pension liability	72.70%	75.12%	73.62%	74.20%	80.34%	78.05%

* Fiscal year 2015 was the 1st year of implementation.

Pleasant Hill Recreation and Park District
SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS
 June 30, 2020

<u>Fiscal Year Ending June 30</u>	Miscellaneous Plan					
	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 583,742	\$ 555,600	\$ 398,000	\$ 366,918	\$ 294,229	\$ 258,016
Contributions in relation to the actuarially determined contributions	<u>(583,742)</u>	<u>(555,600)</u>	<u>(398,000)</u>	<u>(366,918)</u>	<u>(294,229)</u>	<u>(258,016)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered - employee payroll	 \$ 3,307,557	 \$ 3,257,391	 \$ 3,029,885	 \$ 2,717,478	 \$ 2,515,130	 \$ 2,063,113
 Contributions as a percentage of covered-employee payroll	 17.65%	 17.06%	 13.14%	 13.50%	 11.70%	 12.51%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation.