



MATSON
& ISOM

CHICO AREA RECREATION
AND PARK DISTRICT

Chico, California

FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

June 30, 2014 and 2013

TABLE OF CONTENTS

June 30, 2014 and 2013

*Chico Area Recreation
and Park District*

	Page Number
Independent Auditors' Report	1
Board of Directors	3
MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION (Required Supplementary Information)	5
FINANCIAL SECTION	
Statements of Net Position	14
Statements of Functional Activities and Changes in Net Position	16
Statements of Cash Flows	18
Notes to the Financial Statements	22



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Chico Area Recreation and Park District (the District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *minimum audit requirements for California Special Districts*, issued by the Controller of the State of California. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the business-type activities of the District, as of June 30, 2014 and 2013, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

Continued

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 5 through 12 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.

Matson and Isom

October 3, 2014
Chico, California



Board of Directors

Board Member	Term Expiring
Jan Sneed, Chair	November 2014
Tom Lando, Vice-Chair	November 2016
Herman Ellis, Director	November 2014
Ed Seagle, Director	November 2014
Michael Worley, Director	November 2016

General Manager

Jerry Haynes

Business Manager

Scott Dowell, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION
(Required Supplementary Information)

Management of the Chico Area Recreation and Park District (CARD) offers readers of the financial statements this narrative overview and analysis of the financial activities of CARD for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with CARD's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The District was reaccredited as a District of Distinction through the Special District Leadership Foundation in April 2013. As part of the reaccreditation, the District also received a Transparency Certificate of Excellence. These accreditations and certificates represent the District's commitment to financial accountability and transparency.
- Assets exceeded liabilities at the close of the most recent fiscal year by \$30,577,650 (net position).
- As part of the state of California's dissolution of redevelopment agencies (RDA), CARD received \$320,844 during the year ended June 30, 2014. This was in excess of the projected amount of \$80,000.
- Cash flows generated from general fund operations during the year were \$683,852.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

Statements of Net Position Information presented of all CARD assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CARD is improving or deteriorating.

Statements of Functional Activities and Changes in Net Position Information presented showing how CARD's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts receivable and earned but unused vacation leave).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CARD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Funds

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of CARD, assets exceeded liabilities by \$30,577,650 at the close of the most recent fiscal year.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

*Chico Area Recreation
and Park District*

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

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

Assigned Fund Balance: This fund represents funds that the Board of Directors has designated the General Manager to set aside and monitor for a particular purpose. At June 30, 2014, funds in this category were set aside for future capital projects, debt service, deferred maintenance costs, and future election costs.

Unassigned Fund Balance: This fund represents residual positive net resources of the general fund in excess of that which can properly be classified in one of the other categories.

STATEMENTS OF NET POSITION – CONDENSED

	2014	2013	Change
ASSETS			
Current assets	\$ 4,039,096	\$ 3,469,687	\$ 569,409
Other assets	306,023	336,625	(30,602)
Capital assets	28,092,891	28,873,483	(780,592)
Total Assets	32,438,010	32,679,795	(241,785)
LIABILITIES			
Current liabilities	886,957	837,016	49,941
Noncurrent liabilities	973,403	1,108,006	(134,603)
Total Liabilities	1,860,360	1,945,022	(84,662)
Total Net Position	\$ 30,577,650	\$ 30,734,773	\$ (157,123)

**STATEMENTS OF FUNCTIONAL ACTIVITIES
AND CHANGES IN NET POSITION – CONDENSED**

	2014	2013	Change
OPERATING REVENUES			
Program service fees	\$ 2,806,642	\$ 2,848,467	\$ (41,825)
Property taxes	2,636,713	2,359,956	276,757
Assessment fees	160,585	156,079	4,506
Other government support	926,957	893,009	33,948
Developer fees	61,750	76,000	(14,250)
Other revenue	171,479	176,353	(4,874)
Total Operating Revenues	6,764,126	6,509,864	254,262
OPERATING EXPENSES			
Salaries and benefits	4,420,578	4,425,738	(5,160)
Services and supplies	1,617,057	1,626,329	(9,272)
Contributions to other agencies	10,014	11,190	(1,176)
Depreciation	842,581	896,242	(53,661)
Total Operating Expenses	6,890,230	6,959,499	(69,269)
Operating Loss	(126,104)	(449,635)	323,531
Nonoperating Revenue (Expense)	(31,019)	(100,231)	69,212
Change in Net Position	(157,123)	(549,866)	392,743
Net Position - Beginning of the Year	30,734,773	31,284,639	(549,866)
Net Position - End of the Year	\$ 30,577,650	\$ 30,734,773	\$ (157,123)

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

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

- At June 30, 2014, CARD had cash and cash equivalents of \$3,730,173.
- Total liabilities were \$1,844,173, or 6% of total assets, at June 30, 2014.
- The operating loss was \$195,045 after depreciation of \$842,581 for the year ended June 30, 2014.
- Cash flow from operations for the year ended June 30, 2014, was \$683,852.

Baroni Park, Oak Way Park, and Peterson Park (funds) are assessment districts. Expenses reflect costs of operating the applicable park. Revenues come from assessments levied against the applicable property owners in the assessment district.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

*Chico Area Recreation
and Park District*

The Park Development Fund receives park development fees from new home developments in the District. Cash from the fund is currently used to pay the DeGarmo note annual payment.

COMPARISON OF BUDGET TO ACTUAL – GENERAL FUND**Operational Budget**

Year Ended June 30, 2014	Budget	Actual	Change
OPERATING REVENUES			
Program service fees	\$ 2,832,809	\$ 2,806,642	\$ (26,167)
Property taxes	2,328,011	2,636,713	308,702
Other government support	890,500	926,957	36,457
Other revenue	159,557	171,479	11,922
Total Operating Revenues	6,210,877	6,541,791	330,914
OPERATING EXPENSES			
Salaries and benefits	4,495,252	4,314,541	(180,711)
Services and supplies	1,457,810	1,569,700	111,890
Contributions to other agencies	11,500	10,014	(1,486)
Depreciation		842,581	842,581
Total Operating Expenses	5,964,562	6,736,836	772,274
Operating Income (Loss)	246,315	(195,045)	(441,360)
Nonoperating Expenses	(22,905)	(10,918)	11,987
Change in Net Position Before Transfers	223,410	(205,963)	(429,373)
Transfers	56,158	63,225	7,067
Change in Net Position	\$ 279,568	\$ (142,738)	\$ (422,306)

Capital Budget

Year Ended June 30, 2014	Budget	Actual	Change
Capital/repair projects	\$ 130,000	\$ 130,863	\$ 863
Less: Reclassification to operational budget for repairs	68,875	68,875	-
Net Capital Projects Capitalized	\$ 61,125	\$ 61,988	\$ 863

COMPARISON OF BUDGET TO ACTUAL – GENERAL FUND

Operational Budget

Year Ended June 30, 2013	Budget	Actual	Change
OPERATING REVENUES			
Program service fees	\$ 3,121,328	\$ 2,848,467	\$ (272,861)
Property taxes	2,346,782	2,359,956	13,174
Other government support	924,000	893,009	(30,991)
Other revenue	174,573	176,353	1,780
Total Operating Revenues	6,566,683	6,277,785	(288,898)
OPERATING EXPENSES			
Salaries and benefits	4,713,538	4,381,370	(332,168)
Services and supplies	1,673,338	1,507,981	(165,357)
Contributions to other agencies	10,200	11,190	990
Depreciation	800,000	896,242	96,242
Total Operating Expenses	7,197,076	6,796,783	(400,293)
Operating Loss	(630,393)	(518,998)	111,395
Nonoperating Expenses	(11,289)	(72,563)	(61,274)
Change in Net Position Before Transfers	(641,682)	(591,561)	50,121
Transfers	51,053	51,053	-
Change in Net Position	\$ (590,629)	\$ (540,508)	\$ 50,121

Capital Budget

Year Ended June 30, 2013	Budget	Actual	Change
Capital/repair projects	\$ 344,500	\$ 323,419	\$ (21,081)
Less: Reclassification to operational budget for repairs	12,020	12,020	-
Net Capital Projects Capitalized	\$ 332,480	\$ 311,399	\$ (21,081)

GENERAL FUND BUDGETARY HIGHLIGHTS

As noted in the table of Comparison of Budget to Actual, most categories were in acceptable ranges of budgets. Some noted highlights are summarized below for the year ended June 30, 2014:

- Program service fee revenues were within 1% of budget.
- Salaries and benefits were below budget by 4%.
- Services and supplies were within budget by 8%.
- Nonoperating expenses were less than projected due to the change in fair value of cash and cash equivalents at June 30, 2014.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

CARD's investment in capital assets at June 30, 2014, amounted to \$28,092,890 (net of accumulated depreciation). This investment in capital assets includes land, buildings, leasehold improvements, equipment, and construction in progress. Major capital asset events during the current fiscal year included the following:

- Dorothy F. Johnson Center roof replacement \$50,723.
- Various equipment totaling \$11,265.

Long-Term Debt

At the end of the current fiscal year, CARD had total long-term debt outstanding of \$973,403. Long-term debt consists of notes payable, capital leases, and a liability for compensated absences. All debt payments were made timely in agreement with all contracts. The notes payable and capital leases are summarized in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The general economy of Butte County, California, continues to show signs of recovery. The unemployment rate for Butte County for July 2014 was 9%. As compared to 10.8% for July 2013.
- CARD has approved a balanced budget for the 2014-2015 year. Carry-forward reserves were not utilized to balance the budget.
- Management continues to focus on providing quality recreation programs and well-maintained parks to the Chico community. The cost of these programs is consistently monitored to provide a reasonably priced product to the community.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and 2013

*Chico Area Recreation
and Park District*

REQUEST FOR INFORMATION

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

FINANCIAL SECTION

STATEMENTS OF NET POSITION

**Chico Area Recreation
and Park District**

Page 1 of 2

June 30, 2014	<u>General</u>	<u>Baroni Park</u>	<u>Oak Way Park</u>	<u>Peterson Park</u>	<u>Park Development</u>	<u>Totals</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,730,173	\$ 34,537	\$ 18,033	\$ 35,257	\$ 74,361	\$ 3,892,361
Accounts receivable	110,226	-	-	-	-	110,226
Interest receivable	5,575	78	70	70	114	5,907
Interfund receivable (payable)	47,357	(12,104)	(14,629)	(20,624)	-	-
Prepaid pension contribution - current	30,602	-	-	-	-	30,602
Total Current Assets	3,923,933	22,511	3,474	14,703	74,475	4,039,096
PREPAID PENSION CONTRIBUTION - NET	306,023	-	-	-	-	306,023
CAPITAL ASSETS - NET	28,092,891	-	-	-	-	28,092,891
Total Assets	32,322,847	22,511	3,474	14,703	74,475	32,438,010
LIABILITIES						
CURRENT LIABILITIES						
Current maturity of notes payable	87,012	-	-	-	-	87,012
Current portion of capital leases	39,201	-	-	-	-	39,201
Accounts payable	234,109	-	-	-	-	234,109
Accrued payroll and liabilities	123,864	-	-	-	-	123,864
Accrued interest	7,491	-	-	-	16,187	23,678
Program advances	379,093	-	-	-	-	379,093
Total Current Liabilities	870,770	-	-	-	16,187	886,957
NONCURRENT LIABILITIES						
Notes payable	225,433	-	-	-	-	225,433
Capital leases	615,690	-	-	-	-	615,690
Compensated absences	132,280	-	-	-	-	132,280
Total Noncurrent Liabilities	973,403	-	-	-	-	973,403
Total Liabilities	1,844,173	-	-	-	16,187	1,860,360
NET POSITION						
NON-SPENDABLE						
Net investment in capital assets	27,125,555	-	-	-	-	27,125,555
RESTRICTED	-	22,511	3,474	14,703	58,288	98,976
UNRESTRICTED						
Committed	1,001,500	-	-	-	-	1,001,500
Assigned	992,994	-	-	-	-	992,994
Unassigned	1,358,625	-	-	-	-	1,358,625
Total Net Position	\$ 30,478,674	\$ 22,511	\$ 3,474	\$ 14,703	\$ 58,288	\$ 30,577,650

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

STATEMENTS OF NET POSITION

*Chico Area Recreation
and Park District*

Page 2 of 2

June 30, 2013	<u>General</u>	<u>Baroni Park</u>	<u>Oak Way Park</u>	<u>Peterson Park</u>	<u>Park Development</u>	<u>Totals</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,195,608	\$ 1,290	\$ 3,102	\$ 8,172	\$ 100,791	\$ 3,308,963
Accounts receivable	124,289	-	-	-	-	124,289
Interest receivable	5,537	34	39	42	181	5,833
Interfund receivable (payable)	(20,343)	14,598	(2,112)	7,857	-	-
Prepaid pension contribution - current	30,602	-	-	-	-	30,602
Total Current Assets	3,335,693	15,922	1,029	16,071	100,972	3,469,687
PREPAID PENSION CONTRIBUTION - NET	336,625	-	-	-	-	336,625
CAPITAL ASSETS - NET	28,873,483	-	-	-	-	28,873,483
Total Assets	32,545,801	15,922	1,029	16,071	100,972	32,679,795
LIABILITIES						
CURRENT LIABILITIES						
Current maturity of notes payable	101,252	-	-	-	-	101,252
Current portion of capital leases	37,040	-	-	-	-	37,040
Accounts payable	194,255	-	-	-	-	194,255
Accrued payroll and liabilities	103,794	-	-	-	-	103,794
Accrued interest	8,767	-	-	-	20,633	29,400
Program advances	371,275	-	-	-	-	371,275
Total Current Liabilities	816,383	-	-	-	20,633	837,016
NONCURRENT LIABILITIES						
Notes payable	312,445	-	-	-	-	312,445
Capital leases	654,891	-	-	-	-	654,891
Compensated absences	140,670	-	-	-	-	140,670
Total Noncurrent Liabilities	1,108,006	-	-	-	-	1,108,006
Total Liabilities	1,924,389	-	-	-	20,633	1,945,022
NET POSITION						
NON-SPENDABLE						
Net investment in capital assets	27,767,855	-	-	-	-	27,767,855
RESTRICTED	-	15,922	1,029	16,071	80,339	113,361
UNRESTRICTED						
Committed	1,001,500	-	-	-	-	1,001,500
Assigned	1,159,100	-	-	-	-	1,159,100
Unassigned	692,957	-	-	-	-	692,957
Total Net Position	\$ 30,621,412	\$ 15,922	\$ 1,029	\$ 16,071	\$ 80,339	\$ 30,734,773

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

STATEMENTS OF FUNCTIONAL ACTIVITIES AND CHANGES IN NET POSITION

*Chico Area Recreation
and Park District*

Page 1 of 2

Year Ended June 30, 2014	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
OPERATING REVENUES						
Program service fees	\$ 2,806,642	\$ -	\$ -	\$ -	\$ -	\$ 2,806,642
Property taxes	2,636,713	-	-	-	-	2,636,713
Assessment fees	-	59,713	57,937	42,935	-	160,585
Other governmental support	926,957	-	-	-	-	926,957
Developer fees	-	-	-	-	61,750	61,750
Other revenue	171,479	-	-	-	-	171,479
Total Operating Revenues	6,541,791	59,713	57,937	42,935	61,750	6,764,126
OPERATING EXPENSES						
Salaries and benefits	4,314,541	41,156	41,014	23,867	-	4,420,578
Services and supplies	1,569,700	12,104	14,629	20,624	-	1,617,057
Contributions to other agencies	10,014	-	-	-	-	10,014
Depreciation	842,581	-	-	-	-	842,581
Total Operating Expenses	6,736,836	53,260	55,643	44,491	-	6,890,230
OPERATING INCOME (LOSS)	(195,045)	6,453	2,294	(1,556)	61,750	(126,104)
NONOPERATING REVENUE (EXPENSES)						
Interest income	18,845	145	142	158	487	19,777
Change in fair value of cash and cash equivalents	16,145	(9)	9	30	554	16,729
Interest expense	(45,908)	-	-	-	(21,617)	(67,525)
Total Nonoperating Revenue (Expenses)	(10,918)	136	151	188	(20,576)	(31,019)
Change in Net Position Before Transfers	(205,963)	6,589	2,445	(1,368)	41,174	(157,123)
Transfers	63,225	-	-	-	(63,225)	-
Change in Net Position	(142,738)	6,589	2,445	(1,368)	(22,051)	(157,123)
Net Position - Beginning of Year	30,621,412	15,922	1,029	16,071	80,339	30,734,773
Net Position - End of Year	\$ 30,478,674	\$ 22,511	\$ 3,474	\$ 14,703	\$ 58,288	\$ 30,577,650

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

STATEMENTS OF FUNCTIONAL ACTIVITIES AND CHANGES IN NET POSITION

*Chico Area Recreation
and Park District
Page 2 of 2*

Year Ended June 30, 2013	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
OPERATING REVENUES						
Program service fees	\$ 2,848,467	\$ -	\$ -	\$ -	\$ -	\$ 2,848,467
Property taxes	2,359,956	-	-	-	-	2,359,956
Assessment fees	-	55,286	57,962	42,831	-	156,079
Other governmental support	893,009	-	-	-	-	893,009
Developer fees	-	-	-	-	76,000	76,000
Other revenue	176,353	-	-	-	-	176,353
Total Operating Revenues	6,277,785	55,286	57,962	42,831	76,000	6,509,864
OPERATING EXPENSES						
Salaries and benefits	4,381,370	12,000	19,368	13,000	-	4,425,738
Services and supplies	1,507,981	46,635	39,198	32,515	-	1,626,329
Contributions to other agencies	11,190	-	-	-	-	11,190
Depreciation	896,242	-	-	-	-	896,242
Total Operating Expenses	6,796,783	58,635	58,566	45,515	-	6,959,499
OPERATING INCOME (LOSS)	(518,998)	(3,349)	(604)	(2,684)	76,000	(449,635)
NONOPERATING REVENUE (EXPENSES)						
Interest income	21,004	95	126	150	724	22,099
Change in fair value of cash and cash equivalents	(44,224)	(8)	(41)	(115)	(1,472)	(45,860)
Interest expense	(49,343)	-	-	-	(27,127)	(76,470)
Total Nonoperating Revenue (Expenses)	(72,563)	87	85	35	(27,875)	(100,231)
Change in Net Position Before Transfers	(591,561)	(3,262)	(519)	(2,649)	48,125	(549,866)
Transfers	51,053	-	-	-	(51,053)	-
Change in Net Position	(540,508)	(3,262)	(519)	(2,649)	(2,928)	(549,866)
Net Position - Beginning of Year	31,161,920	19,184	1,548	18,720	83,267	31,284,639
Net Position - End of Year	\$ 30,621,412	\$ 15,922	\$ 1,029	\$ 16,071	\$ 80,339	\$ 30,734,773

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

STATEMENTS OF CASH FLOWS

**Chico Area Recreation
and Park District**

Page 1 of 4

Year Ended June 30, 2014	<u>General</u>	<u>Baroni Park</u>	<u>Oak Way Park</u>	<u>Peterson Park</u>	<u>Park Development</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,828,522	\$ -	\$ -	\$ -	\$ -	\$ 2,828,522
Receipts from taxes	2,636,713	-	-	-	-	2,636,713
Receipts from other government agencies	926,957	-	-	-	-	926,957
Payments to suppliers	(4,311,786)	(14,454)	(28,497)	4,614	-	(4,350,123)
Payments to employees	(1,558,020)	(12,104)	(14,629)	(20,624)	-	(1,605,377)
Other receipts	171,480	59,713	57,937	42,935	61,750	393,815
Other payments	(10,014)	-	-	-	-	(10,014)
Net Cash Provided by Operating Activities	<u>683,852</u>	<u>33,155</u>	<u>14,811</u>	<u>26,925</u>	<u>61,750</u>	<u>820,493</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(61,988)	-	-	-	-	(61,988)
Principal paid on debt	(82,134)	-	-	-	(56,158)	(138,292)
Transfers	7,067	-	-	-	(7,067)	-
Interest paid on debt	(47,184)	-	-	-	(26,063)	(73,247)
Net Cash Used by Capital and Related Financing Activities	<u>(184,239)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,288)</u>	<u>(273,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Change in fair value of cash and cash equivalents	16,145	(9)	9	30	554	16,729
Interest income	18,807	101	111	130	554	19,703
Net Cash Provided (Used) by Investing Activities	<u>34,952</u>	<u>92</u>	<u>120</u>	<u>160</u>	<u>1,108</u>	<u>36,432</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>534,565</u>	<u>33,247</u>	<u>14,931</u>	<u>27,085</u>	<u>(26,430)</u>	<u>583,398</u>
Cash and Cash Equivalents - Beginning of Year	<u>3,195,608</u>	<u>1,290</u>	<u>3,102</u>	<u>8,172</u>	<u>100,791</u>	<u>3,308,963</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,730,173</u>	<u>\$ 34,537</u>	<u>\$ 18,033</u>	<u>\$ 35,257</u>	<u>\$ 74,361</u>	<u>\$ 3,892,361</u>

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

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2014	<u>General</u>	<u>Baroni Park</u>	<u>Oak Way Park</u>	<u>Peterson Park</u>	<u>Park Development</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (195,045)	\$ 6,453	\$ 2,294	\$ (1,556)	\$ 61,750	\$ (126,104)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Amortization of prepaid pension contribution	30,602	-	-	-	-	30,602
Depreciation	842,581	-	-	-	-	842,581
Changes in net assets and liabilities:						
Accounts receivable	14,063	-	-	-	-	14,063
Accounts payable	39,854	-	-	-	-	39,854
Accrued expenses	11,679	-	-	-	-	11,679
Deferred revenue	7,818	-	-	-	-	7,818
Other	(67,700)	26,702	12,517	28,481	-	-
Net Cash Provided by Operating Activities	<u>\$ 683,852</u>	<u>\$ 33,155</u>	<u>\$ 14,811</u>	<u>\$ 26,925</u>	<u>\$ 61,750</u>	<u>\$ 820,493</u>

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

STATEMENTS OF CASH FLOWS

*Chico Area Recreation
and Park District*

Page 3 of 4

Year Ended June 30, 2013	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 2,870,074	\$ -	\$ -	\$ -	\$ -	\$ 2,870,074
Receipts from taxes	2,359,956	-	-	-	-	2,359,956
Receipts from other government agencies	893,009	-	-	-	-	893,009
Payments to suppliers	(4,311,670)	(88,179)	(38,430)	(29,755)	-	(4,468,034)
Payments to employees	(1,514,437)	(12,000)	(19,368)	(13,000)	-	(1,558,805)
Other receipts	176,353	101,416	57,962	42,831	76,000	454,562
Prepaid pension contribution	(367,227)	-	-	-	-	(367,227)
Other payments	(11,190)	-	-	-	-	(11,190)
Net Cash Provided by Operating Activities	94,868	1,237	164	76	76,000	172,345
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital assets purchased	(37,311)	-	-	-	-	(37,311)
Additions to construction in progress	(274,088)	-	-	-	-	(274,088)
Principal paid on debt	(96,424)	-	-	-	(51,053)	(147,477)
Interest paid on debt	(51,290)	-	-	-	(31,169)	(82,459)
Net Cash Used by Capital and Related Financing Activities	(459,113)	-	-	-	(82,222)	(541,335)
CASH FLOWS FROM INVESTING ACTIVITIES						
Change in fair value of cash and cash equivalents	(44,224)	(8)	(41)	(115)	(1,472)	(45,860)
Interest income	24,523	61	241	241	871	25,937
Net Cash Provided (Used) by Investing Activities	(19,701)	53	200	126	(601)	(19,923)
Net Increase (Decrease) in Cash and Cash Equivalents	(383,946)	1,290	364	202	(6,823)	(388,913)
Cash and Cash Equivalents - Beginning of Year	3,579,554	-	2,738	7,970	107,614	3,697,876
Cash and Cash Equivalents - End of Year	\$ 3,195,608	\$ 1,290	\$ 3,102	\$ 8,172	\$ 100,791	\$ 3,308,963

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

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2013	<u>General</u>	<u>Baroni Park</u>	<u>Oak Way Park</u>	<u>Peterson Park</u>	<u>Park Development</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (518,998)	\$ (3,349)	\$ (604)	\$ (2,684)	\$ 76,000	\$ (449,635)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	896,242	-	-	-	-	896,242
Changes in net assets and liabilities:						
Accounts receivable	(4,952)	46,130	-	-	-	41,178
Accounts payable	31,684	-	-	-	-	31,684
Accrued expenses	(6,456)	-	-	-	-	(6,456)
Deferred revenue	26,559	-	-	-	-	26,559
Prepaid pension contribution	(367,227)	-	-	-	-	(367,227)
Other	38,016	(41,544)	768	2,760	-	-
Net Cash Provided by Operating Activities	<u>\$ 94,868</u>	<u>\$ 1,237</u>	<u>\$ 164</u>	<u>\$ 76</u>	<u>\$ 76,000</u>	<u>\$ 172,345</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

The District maintains substantially all of its cash in the County as part of a common investment pool. Deposits in the pool are valued using the amortized cost method (which approximates fair value) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than three years. As of June 30, 2014 and 2013, the fair value of the pool is 99.95% and 99.42% of the carrying value, respectively, which amounted to a net decrease of \$1,770 and a net increase of \$18,499, respectively. The change in fair value amounted to a decrease of \$16,729 and \$45,860, respectively, for the years ended June 30, 2014 and 2013. Information regarding the amount of dollars invested in derivatives with the County was not available. The pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130. The District is considered to be a voluntary participant in the County investment pool.

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

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

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

Net Position The District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended by GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish accounting and financial reporting standards for classifying fund balances into specifically defined classifications. At June 30, 2014, the District's net position is classified into three categories as follows:

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

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

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

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

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

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

Unassigned Fund Balance: Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been classified in one of the other categories within the general fund.

Use of Estimates The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes Property taxes are levied by Butte County on the District's behalf and are intended to support operations and to service debt. Secured property taxes attach as an enforceable lien on property as of March 1. The amount of property tax received is dependent upon the assessed real property valuations as determined by the Butte County Assessor. Property taxes on the secured roll are due in two equal installments on November 1 and February 1 each year and are delinquent if not paid by December 10 and April 10, respectively. The District received approximately 41% and 38% of its operating revenue in 2014 and 2013, respectively, from property taxes.

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

Impact of Recently Issued Accounting Standards

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, with required implementation for the District during the 2014-15 fiscal year. The statement establishes standards that will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The District has not yet determined the effect these statements will have on its financial statements.

2. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents at June 30, 2014, consisted of the following:

	<u>Maturities</u>	<u>Fair Value</u>
PETTY CASH		\$ 1,500
DEPOSITS (1)		332,101
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	2.5 years average	<u>3,558,760</u>
Total Cash and Cash Equivalents		<u>\$ 3,892,361</u>

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has a collateralization agreement with the bank, which mitigates custodial credit risk. The cash balances in the bank at June 30, 2014 and 2013, amounted to \$336,215 and \$210,971, respectively. Deposits amounting to \$250,000 are covered by depository insurance, and the balance is subject to the collateralization agreement.

3. INTERFUND RECEIVABLE (PAYABLE)

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

4. PREPAID PENSION CONTRIBUTION

On July 31, 2012, CARD paid off the CalPERS side fund pension plan liability totaling \$397,829. This payment will result in a reduction of the employer pension plan contribution rate in future years. The prepayment is being amortized over 13 years as directed by CalPERS. Accumulated amortization as of June 30, 2014, totaled \$61,204 with amortization expense of \$30,602 per year.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

*Chico Area Recreation
and Park District*

5. CAPITAL ASSETS

Changes in capital assets consisted of the following:

June 30	Balance 2013	Additions	Retirements	Transfers	Balance 2014
NONDEPRECIATING CAPITAL ASSETS					
Land	\$ 11,634,790	\$ -	\$ -	\$ -	\$ 11,634,790
DEPRECIATING CAPITAL ASSETS					
Structures and improvements	23,788,786	50,723	-	-	23,839,509
Leasehold improvements	1,084,477	-	-	-	1,084,477
Equipment	1,261,177	11,266	20,568	-	1,251,875
Subtotal	37,769,230	61,989	20,568	-	37,810,651
Accumulated depreciation	(8,895,747)	(842,581)	(20,568)	-	(9,717,760)
Total Capital Assets - Net	\$ 28,873,483	\$ (780,592)	\$ -	\$ -	\$ 28,092,891

June 30	Balance 2012	Additions	Retirements	Transfers	Balance 2013
NONDEPRECIATING CAPITAL ASSETS					
Land	\$ 11,634,790	\$ -	\$ -	\$ -	\$ 11,634,790
Construction in progress	42,570	274,088	-	(316,658)	-
DEPRECIATING CAPITAL ASSETS					
Structures and improvements	23,472,128	-	-	316,658	23,788,786
Leasehold improvements	1,083,167	6,310	5,000	-	1,084,477
Equipment	1,255,287	31,001	25,111	-	1,261,177
Subtotal	37,487,942	311,399	30,111	-	37,769,230
Accumulated depreciation	(8,029,616)	(896,242)	(30,111)	-	(8,895,747)
Total Capital Assets - Net	\$ 29,458,326	\$ (584,843)	\$ -	\$ -	\$ 28,873,483

6. COMPENSATED ABSENCES

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

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

June 30	Balance 2013	Amount Earned	Amount Paid	Balance 2014
Compensated absences	\$ 140,670	\$ 154,886	\$ (163,276)	\$ 132,280

June 30	Balance 2012	Amount Earned	Amount Paid	Balance 2013
Compensated absences	\$ 150,460	\$ 122,035	\$ (131,825)	\$ 140,670

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

*Chico Area Recreation
and Park District***7. NOTES PAYABLE**

In 1997, the District signed a \$700,000 note and purchased land (DeGarmo Park) from Robert DeGarmo for \$806,584. The note is to be paid over a period of 20 years at an interest rate of 10% per annum with annual payments of \$82,222 beginning September 16, 1997, through September 16, 2016. The balance of the note as of June 30, 2014 and 2013, was \$204,473 and \$260,632, respectively. The loan is paid out of the Park Development Fund.

In 2008, the District signed a \$238,145 note and purchased solar panel electrical systems for the Field House and Pleasant Valley Recreation Center. The note is to be paid over a period of 10 years at an interest rate of 4.50% per annum with annual payments of \$30,096 beginning March 20, 2009, through March 20, 2018. The balance of the note as of June 30, 2014 and 2013, was \$107,972 and \$132,123, respectively. The loan is paid from the General Fund.

In 2009, the District signed a \$95,808 note and purchased a mower and trailer for the various parks. The note is to be paid over a period of 5 years at an interest rate of 4.65% per annum with annual payments of \$21,916 beginning November 3, 2009, through November 3, 2013. The balance of the note as of June 30, 2014 and 2013, was \$-0- and \$20,942, respectively. The loan is paid from the General Fund.

A schedule of changes in debt follows:

June 30	Balance 2013	Payments	Balance 2014	Current Portion
Notes payable	\$ 413,697	\$ 101,252	\$ 312,445	\$ 87,012

June 30	Balance 2012	Payments	Balance 2013	Current Portion
Notes payable	\$ 507,872	\$ 94,175	\$ 413,697	\$ 101,252

Scheduled principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 87,012	\$ 25,307	\$ 112,319
2016	94,326	17,993	112,319
2017	102,307	10,012	112,319
2018	28,800	1,297	30,097
Totals	\$ 312,445	\$ 54,609	\$ 367,054

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

*Chico Area Recreation
and Park District***8. CAPITAL LEASES**

The District leases light poles at Doryland Field valued at \$108,323 under agreements which provide for title to pass upon execution of a \$1 buyout option at the expiration of the lease period. The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment. On October 27, 2012, the District executed its buyout option.

In April 2011, the District entered into a financing lease for the acquisition of the Lakeside Pavilion for \$760,000.

Assets financed under capital leases totaled approximately \$801,621 and \$910,000 as of June 30, 2014 and 2013, respectively. Depreciation expense was \$26,721 and \$32,137 for the years ended June 30, 2014 and 2013, respectively. Accumulated depreciation related to these capital assets amounted to approximately \$93,817 and \$110,000 at June 30, 2014 and 2013, respectively.

A total of \$39,261 and \$42,400 in interest costs were incurred during the years ended June 30, 2014 and 2013, respectively. Future minimum lease payments are as follows:

Year Ending June 30	Capital Lease Obligations	
	Principal Amount	Interest Amount
2015	\$ 39,201	\$ 37,101
2016	41,487	34,814
2017	43,907	32,394
2018	46,468	29,833
2019	49,178	27,124
2020-2024	292,414	89,094
2025-2027	142,236	10,368
Total	\$ 654,891	\$ 260,728

9. OPERATING LEASES

The District leases copier equipment and a postage machine. Rental expense for the years ended June 30, 2014 and 2013, was \$23,532 and \$21,726, respectively. Minimum future rental payments under noncancelable operating leases with remaining terms in excess of one year as of June 30, 2014, are as follows:

Year Ending June 30	
2015	\$ 4,998
2016	2,709
Total Minimum Future Rental Expense	\$ 7,707

10. LINE OF CREDIT

In February 2014, the District obtained a line of credit with Golden Valley Bank for \$500,000 with interest at prime plus 2% (5.25% at June 30, 2014). The line was not utilized during the year ended June 30, 2014.

11. APPROPRIATIONS LIMIT

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

The District's Board established the appropriation limits for fiscal years 2014 and 2013 to be \$7,676,535 and \$7,255,704, respectively.

12. EMPLOYEE RETIREMENT SYSTEM**Plan Description**

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary, which is paid by the District, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal years 2014, 2013, and 2012 were 11.522%, 12.459%, and 12.164%, respectively. The contribution requirements of the plan members are established by state statute.

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

The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, amounted to \$375,712, \$391,669, and \$371,236, respectively.

13. RISK MANAGEMENT

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

A summary of coverage limits is listed below:

General liability	\$ 10,000,000
Public officials' errors and omissions	\$ 10,000,000
Personal liability coverage for board members	\$ 500,000
Employment practices liability	\$ 10,000,000
Employee benefits liability	\$ 10,000,000
Employee dishonesty coverage	\$ 400,000
Auto liability	\$ 10,000,000
Uninsured motorists	\$ 750,000
Boiler and machinery coverage	\$ 100,000,000
Property including fire, theft and flood	\$ 1,000,000,000
Workers' compensation	\$ 5,000,000

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

14. SUBSEQUENT EVENTS

In October, 2014, the District refinanced the long-term capital lease agreement for the Lakeside Pavilion in the amount of \$651,457. The lease term is for ten years and provides for equal rental payments of \$80,200 in each of the ten years. Rental payments include interest at 4.375%.