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**CHICO AREA RECREATION
AND PARK DISTRICT**

Chico, California

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2013 and 2012

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June 30, 2013 and 2012

*Chico Area Recreation
and Park District*

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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, 2013 and 2012, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2013 and 2012, 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 2, 2013
Chico, California



Board of Directors

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

General Manager

Steve Visconti

Business Manager

Scott Dowell, CPA

FINANCIAL SECTION

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, 2013. 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.
- The assets exceeded liabilities at the close of the most recent fiscal year by \$30,734,773 (net position).
- As part of the State of California dissolution of redevelopment agencies (RDA), CARD received a one-time accelerated payment of pass-through funds of \$925,190 in May 2012. In July, 2012, the Board of Directors authorized \$397,829 of these funds to be applied against CARD's California Public Employees Retirement System (CalPERS) pension plan side-fund liability. The implied interest rate on the side-fund liability was 7.5%.
- Cash flows generated from general fund operations during the year were \$94,868.

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.

Statement of Net Position Presents information 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 Presents information 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 \$30,734,773 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 are 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, 2013 and 2012

*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, 2013, 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

	2013	2012	Change
ASSETS			
Current assets	\$ 3,469,687	\$ 3,873,013	\$ (403,326)
Other assets	336,625	-	336,625
Capital assets	28,873,483	29,458,326	(584,843)
Total Assets	32,679,795	33,331,339	(651,544)
LIABILITIES			
Current liabilities	837,016	790,613	46,403
Noncurrent liabilities	1,108,006	1,256,087	(148,081)
Total Liabilities	1,945,022	2,046,700	(101,678)
Total Net Position	\$ 30,734,773	\$ 31,284,639	\$ (549,866)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

*Chico Area Recreation
and Park District***STATEMENTS OF FUNCTIONAL ACTIVITIES
AND CHANGES IN NET POSITION - CONDENSED**

	2013	2012	Change
OPERATING REVENUES			
Program service fees	\$ 2,848,467	\$ 2,837,514	\$ 10,953
Property taxes	2,359,956	2,223,022	136,934
Assessment fees	156,079	182,484	(26,405)
Other government support	893,009	1,865,670	(972,661)
Developer fees	76,000	21,375	54,625
Other revenue	176,353	173,076	3,277
Total Operating Revenues	6,509,864	7,303,141	(793,277)
OPERATING EXPENSES			
Salaries and benefits	4,425,738	4,417,696	8,042
Services and supplies	1,626,329	1,752,611	(126,282)
Contributions to other agencies	11,190	14,995	(3,805)
Depreciation	896,242	907,120	(10,878)
Total Operating Expenses	6,959,499	7,092,422	(132,923)
Operating Income (Loss)	(449,635)	210,719	(660,354)
Nonoperating Revenue (Expense)	(100,231)	(54,156)	(46,075)
Change in Net Position Before Capital Contribution	(549,866)	156,563	(706,429)
Capital Contribution	-	7,452,000	(7,452,000)
Net Position- Beginning of the Year	31,284,639	23,676,076	7,608,563
Net Position - End of the Year	\$ 30,734,773	\$ 31,284,639	\$ (549,866)

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, 2013, CARD had cash and cash equivalents of \$3,195,608.
- Total liabilities were \$1,924,389 or 6% of total assets at June 30, 2013.
- The operating loss was \$518,998 after depreciation of \$896,242 for the year ended June 30, 2013.
- Cash flow from operations for the year ended June 30, 2013, was \$94,868.

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

*Chico Area Recreation
and Park District***COMPARISON OF BUDGET TO ACTUAL – GENERAL FUND****Operational Budget**

<u>Year Ended June 30, 2013</u>	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
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 Income (Loss)	(630,393)	(518,998)	111,395
Nonoperating Revenue (Expense)	(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

<u>Year Ended June 30, 2013</u>	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
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)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

*Chico Area Recreation
and Park District***COMPARISON OF BUDGET TO ACTUAL – GENERAL FUND****Operational Budget**

Year Ended June 30, 2012	Budget	Actual	Change
OPERATING REVENUES			
Program service fees	\$ 2,836,304	\$ 2,837,514	\$ 1,210
Property taxes	2,262,220	2,223,022	(39,198)
Other government support	960,000	1,865,670	905,670
Other revenue	218,034	173,076	(44,958)
Total Operating Revenues	6,276,558	7,099,282	822,724
OPERATING EXPENSES			
Salaries and benefits	4,491,529	4,374,846	(116,683)
Services and supplies	1,606,128	1,642,663	36,535
Contributions to other agencies	10,200	14,995	4,795
Depreciation	600,000	907,120	307,120
Total Operating Expenses	6,707,857	6,939,624	231,767
Operating Loss	(431,299)	159,658	590,957
Nonoperating Revenue	5,711	(23,113)	(28,824)
Change in Net Position Before Transfers	(425,588)	136,545	562,133
Transfers	46,412	46,412	-
Capital Contribution	7,452,000	7,452,000	-
Change in Net Position	\$ 7,072,824	\$ 7,634,957	\$ 562,133

Capital Budget

Year Ended June 30, 2012	Budget	Actual	Change
Capital/repair projects	\$ 479,570	\$ 455,742	\$ (23,828)
Less: Reclassification to operational budget for repairs	19,012	19,012	-
Net Capital Projects Capitalized	\$ 460,558	\$ 436,730	\$ (23,828)

GENERAL FUND BUDGETARY HIGHLIGHTS

As noted in the attached 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, 2013:

- Program service fee revenues were within 9% of budget.
- Salaries and benefits were below budget by 7%.
- Services and supplies were below budget by 10%.
- Depreciation is a non-cash expense that was 112% of the projected budget. Depreciation of new City of Chico parks placed in service in 2010 along with Wildwood Park placed in service in 2011 generated a higher than projected depreciation provision.
- Nonoperating revenue was less than projected due to lower investment returns on funds deposited with Butte County.

CAPITAL ASSETS AND LONG-TERM DEBT**Capital Assets**

CARD's investment in capital assets at June 30, 2013, amounted to \$28,873,483 (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 rest room and dry rot repair project totaling \$316,658.
- Various equipment and vehicle purchases totaling \$31,001.

Long-Term Debt

At the end of the current fiscal year, CARD had total long-term debt outstanding of \$1,108,006. Long-term debt consists of notes payable, capital leases, and 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 be tepid. The unemployment rate for Butte County for July 2013 was 10.8%. Housing values appear to have bottomed out and are slowly increasing in value.
- CARD has approved a balanced budget for the 2013-2014 year. Carry-forward reserves were not utilized to balance the budget.
- The RDA dissolution has not generated the residual revenue to the District as originally projected. It is believed that in the next two to three years, the District will see some additional financial benefits of the dissolution.
- 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.

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.

STATEMENTS OF NET POSITION

Chico Area Recreation and Park District
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June 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Accounts receivable
Interest receivable
Interfund receivable (payable)
Prepaid pension contribution - current

Total Current Assets

PREPAID PENSION CONTRIBUTION - NET

CAPITAL ASSETS - NET

Total Assets

LIABILITIES

CURRENT LIABILITIES

Current maturity of notes payable
Current portion of capital leases
Accounts payable
Accrued payroll and liabilities
Accrued interest
Program advances

Total Current Liabilities

NONCURRENT LIABILITIES

Notes payable
Capital leases
Compensated absences

Total Noncurrent Liabilities

Total Liabilities

NET POSITION

NON-SPENDABLE

Net investment in capital assets

RESTRICTED

UNRESTRICTED

Committed
Assigned
Unassigned

Total Net Position

	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
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						
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 NET POSITION

Chico Area Recreation and Park District
Page 2 of 2

June 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Accounts receivable
Interest receivable
Interfund receivable (payable)

Total Current Assets

CAPITAL ASSETS - NET

Total Assets

LIABILITIES

CURRENT LIABILITIES

Current maturity of notes payable
Current portion of capital leases
Accounts payable
Accrued payroll and liabilities
Accrued interest
Program advances

Total Current Liabilities

NONCURRENT LIABILITIES

Notes payable
Capital leases
Compensated absences

Total Noncurrent Liabilities

Total Liabilities

NET POSITION

NON-SPENDABLE

Net investment in capital assets

RESTRICTED

UNRESTRICTED

Committed
Assigned
Unassigned

Total Net Position

	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,579,554	\$ -	\$ 2,738	\$ 7,970	\$ 107,614	\$ 3,697,876
Accounts receivable	119,336	46,130	-	-	-	165,466
Interest receivable	9,056	-	154	133	328	9,671
Interfund receivable (payable)	17,673	(26,946)	(1,344)	10,617	-	-
Total Current Assets	3,725,619	19,184	1,548	18,720	107,942	3,873,013
CAPITAL ASSETS - NET	29,458,326	-	-	-	-	29,458,326
Total Assets	33,183,945	19,184	1,548	18,720	107,942	33,331,339
LIABILITIES						
CURRENT LIABILITIES						
Current maturity of notes payable	94,175	-	-	-	-	94,175
Current portion of capital leases	53,302	-	-	-	-	53,302
Accounts payable	162,571	-	-	-	-	162,571
Accrued payroll and liabilities	100,460	-	-	-	-	100,460
Accrued interest	10,714	-	-	-	24,675	35,389
Program advances	344,716	-	-	-	-	344,716
Total Current Liabilities	765,938	-	-	-	24,675	790,613
NONCURRENT LIABILITIES						
Notes payable	413,697	-	-	-	-	413,697
Capital leases	691,930	-	-	-	-	691,930
Compensated absences	150,460	-	-	-	-	150,460
Total Noncurrent Liabilities	1,256,087	-	-	-	-	1,256,087
Total Liabilities	2,022,025	-	-	-	24,675	2,046,700
NET POSITION						
NON-SPENDABLE						
Net investment in capital assets	28,205,222	-	-	-	-	28,205,222
RESTRICTED						
UNRESTRICTED						
Committed	-	19,184	1,548	18,720	83,267	122,719
Assigned	1,401,400	-	-	-	-	1,401,400
Unassigned	1,138,737	-	-	-	-	1,138,737
	416,561	-	-	-	-	416,561
Total Net Position	\$ 31,161,920	\$ 19,184	\$ 1,548	\$ 18,720	\$ 83,267	\$ 31,284,639

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, 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 FUNCTIONAL ACTIVITIES AND
CHANGES IN NET POSITION**

Chico Area Recreation and Park District
Page 2 of 2

Year Ended June 30, 2012	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
OPERATING REVENUES						
Program service fees	\$ 2,837,514	\$ -	\$ -	\$ -	\$ -	\$ 2,837,514
Property taxes	2,223,022	-	-	-	-	2,223,022
Assessment fees	-	81,879	57,844	42,761	-	182,484
Other governmental support	1,865,670	-	-	-	-	1,865,670
Developer fees	-	-	-	-	21,375	21,375
Other revenue	173,076	-	-	-	-	173,076
Total Operating Revenues	7,099,282	81,879	57,844	42,761	21,375	7,303,141
OPERATING EXPENSES						
Salaries and benefits	4,374,846	12,000	18,850	12,000	-	4,417,696
Services and supplies	1,642,663	37,981	39,492	32,475	-	1,752,611
Contributions to other agencies	14,995	-	-	-	-	14,995
Depreciation	907,120	-	-	-	-	907,120
Total Operating Expenses	6,939,624	49,981	58,342	44,475	-	7,092,422
OPERATING INCOME (LOSS)	159,658	31,898	(498)	(1,714)	21,375	210,719
NONOPERATING REVENUE (EXPENSES)						
Interest income	41,334	-	307	318	1,930	43,889
Capital improvement grants	2,165	-	-	-	-	2,165
Change in fair value of cash and cash equivalents	(12,323)	-	(10)	(40)	(1,413)	(13,786)
Interest expense	(54,289)	-	-	-	(32,135)	(86,424)
Total Nonoperating Revenue (Expenses)	(23,113)	-	297	278	(31,618)	(54,156)
Change in Net Position Before Transfers	136,545	31,898	(201)	(1,436)	(10,243)	156,563
Transfers	46,412	-	-	-	(46,412)	-
Capital contribution	7,452,000	-	-	-	-	7,452,000
Change in Net Position	7,634,957	31,898	(201)	(1,436)	(56,655)	7,608,563
Net Position - Beginning of Year	23,526,963	(12,714)	1,749	20,156	139,922	23,676,076
Net Position - End of Year	\$ 31,161,920	\$ 19,184	\$ 1,548	\$ 18,720	\$ 83,267	\$ 31,284,639

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

	General	Baronli Park	Oak Way Park	Peterson Park	Park Development	Totals
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

Chico Area Recreation and Park District Page 2 of 4

Year Ended June 30, 2013

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
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	\$ 94,868	\$ 1,237	\$ 164	\$ 76	\$ 76,000	\$ 172,345

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
Receipts from customers	\$ 2,825,831	-	-	-	-	\$ 2,825,831
Receipts from taxes	2,223,022	-	-	-	-	2,223,022
Receipts from other government agencies	1,865,670	-	-	-	-	1,865,670
Payments to suppliers	(1,771,070)	(71,708)	(38,949)	(30,761)	-	(1,912,488)
Payments to employees	(4,452,378)	(12,000)	(18,850)	(12,000)	-	(4,495,228)
Other receipts	173,076	83,708	57,844	42,761	21,375	378,764
Other payments	(14,995)	-	-	-	-	(14,995)
Net Cash Provided by Operating Activities	849,156	-	45	-	21,375	870,576

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	91,578	-	-	-	-	91,578
Capital assets purchased	(440,363)	-	-	-	-	(440,363)
Additions to construction in progress	(15,380)	-	-	-	-	(15,380)
Principal paid on debt	(91,576)	-	-	-	(46,412)	(137,988)
Interest paid on debt	(56,137)	-	-	-	(35,809)	(91,946)
Net Cash Used by Capital and Related Financing Activities	(511,878)	-	-	-	(82,221)	(594,099)

CASH FLOWS FROM INVESTING ACTIVITIES

Change in fair value of cash and cash equivalents	(12,323)	-	(10)	(40)	(1,413)	(13,786)
Interest income	45,175	-	344	356	2,336	48,211
Net Cash Provided by Investing Activities	32,852	-	334	316	923	34,425
Net Increase (Decrease) in Cash and Cash Equivalents	370,130	-	379	316	(59,923)	310,902
Cash and Cash Equivalents - Beginning of Year	3,209,424	-	2,359	7,654	167,537	3,386,974
Cash and Cash Equivalents - End of Year	\$ 3,579,554	\$ -	\$ 2,738	\$ 7,970	\$ 107,614	\$ 3,697,876

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

STATEMENTS OF CASH FLOWS

Chico Area Recreation and Park District Page 4 of 4

Year Ended June 30, 2012

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	General	Baroni Park	Oak Way Park	Peterson Park	Park Development	Totals
Operating income (loss)	\$ 159,658	\$ 31,898	\$ (498)	\$ (1,714)	\$ 21,375	\$ 210,719
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	907,120	-	-	-	-	907,120
Changes in net assets and liabilities:						
Accounts receivable	(25,419)	1,829	-	-	-	(23,590)
Accounts payable	(159,877)	-	-	-	-	(159,877)
Accrued expenses	(77,532)	-	-	-	-	(77,532)
Deferred revenue	13,736	-	-	-	-	13,736
Other	31,470	(33,727)	543	1,714	-	-
Net Cash Provided by Operating Activities	\$ 849,156	\$ -	\$ 45	\$ -	\$ 21,375	\$ 870,576

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) 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 submit 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 a 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, 2013 and 2012, the fair value of the pool is 99.42% and 100.84% of the carrying value, respectively, which amounted to a net decrease of \$18,499 and a net increase of \$27,360, respectively. The change in fair value amounted to a decrease of \$45,860 and \$13,786, respectively, for the years ended June 30, 2013 and 2012. 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, 2013, 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 that 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 38% and 31% of its operating revenue in 2013 and 2012, 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 GASB Statement No. 67, *Financial Reporting for Pension Plans*, with required implementation for the District during the 2013-14 fiscal year. The statement establishes standards that will improve financial reporting by state and local governmental pension plans. GASB also issued GASB 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, 2013, consisted of the following:

	Maturities	Fair Value
PETTY CASH		\$ 1,500
DEPOSITS (1)		201,853
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	2.5 years average	<u>3,105,610</u>
Total Cash and Cash Equivalents		<u>\$ 3,308,963</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, 2013 and 2012, amounted to \$210,971 and \$576,760, 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, 2013, totaled \$30,602 with amortization expense of \$30,602 per year.

5. CAPITAL ASSETS

Changes in capital assets consisted of the following:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
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	<u>\$ 29,458,326</u>	<u>\$ (584,843)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,873,483</u>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

*Chico Area Recreation
and Park District*

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
NONDEPRECIATING CAPITAL ASSETS					
Land	\$ 9,384,790	\$ 2,250,000	\$ -	\$ -	\$ 11,634,790
Construction in progress	53,174	15,380	-	(25,984)	42,570
DEPRECIATING CAPITAL ASSETS					
Structures and improvements	17,845,003	5,601,141	-	25,984	23,472,128
Leasehold improvements	1,083,167	-	-	-	1,083,167
Equipment	1,269,289	41,221	55,223	-	1,255,287
Subtotal	29,635,423	7,907,742	55,223	-	37,487,942
Accumulated depreciation	(7,177,719)	(907,120)	(55,223)	-	(8,029,616)
Total Capital Assets - Net	\$ 22,457,704	\$ 7,000,622	\$ -	\$ -	\$ 29,458,326

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:

	Balance June 30, 2012	Amount Earned	Amount Paid	Balance June 30, 2013
Compensated Absences	\$ 150,460	\$ 122,036	\$ (131,825)	\$ 140,671

	Balance June 30, 2011	Amount Earned	Amount Paid	Balance June 30, 2012
Compensated Absences	\$ 139,559	\$ 126,630	\$ (115,729)	\$ 150,460

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

*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 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 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 loan is paid from the General Fund.

A schedule of changes in debt follows:

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

	Balance June 30, 2011	New Notes	Payments	Balance June 30, 2012	Current Portion
Notes Payable	\$ 595,523	\$ -	\$ 87,651	\$ 507,872	\$ 94,175

Scheduled principal and interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 101,252	\$ 32,982	\$ 134,234
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	\$ 413,697	\$ 87,591	\$ 501,288

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

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 \$910,000 as of June 30, 2013 and 2012. Depreciation expense was \$32,137 for the years ended June 30, 2013 and 2012. Accumulated depreciation related to these capital assets amounted to approximately \$110,000 and \$78,000 at June 30, 2013 and 2012, respectively.

A total of \$42,400 and \$44,356 in interest costs were incurred during the years ended June 30, 2013 and 2012, respectively. Future minimum lease payments are as follows:

Year Ending June 30	Capital Lease Obligations	
	Principal Amount	Interest Amount
2014	\$ 37,040	\$ 39,261
2015	39,201	37,101
2016	41,487	34,814
2017	43,907	32,394
2018	46,468	29,833
2019-2027	483,828	126,586
Total	\$ 691,931	\$ 299,989

9. OPERATING LEASES

The District leases copier equipment and a postage machine. Rental expenses for the years ended June 30, 2013 and 2012, was \$21,726 and \$23,645, respectively. Minimum future rental payments under noncancelable operating leases with remaining terms in excess of one year as of June 30, 2013, are as follows:

Year Ending June 30	
2014	\$ 20,238
2015	4,998
2016	2,709
Total Minimum Future Rental Expense	\$ 27,945

10. CAPITAL CONTRIBUTION

On July 1, 2011, the City of Chico transferred title and operations of Wildwood Park to CARD. The value of the park transfer was \$7,452,000.

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 the fiscal years 2013 and 2012 to be \$7,255,704 and \$6,917,441, respectively.

12. EMPLOYEE RETIREMENT SYSTEM

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agent 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 7.000% 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 2013 and 2012 were 12.459% and 12.164%, respectively. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013 and 2012, amounted to \$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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 and 2012

*Chico Area Recreation
and Park District*

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.

OTHER REPORT SECTION

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



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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*, the financial statements of the business-type activities of Chico Area Park and Recreation District (the District) as of and for the year ended June 30, 2013; and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 2, 2013
Chico, California