



RS Associates CPA

Where Clients Come First

HAYWARD AREA RECREATION AND PARK DISTRICT

FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2012

HAYWARD AREA RECREATION AND PARK DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
BOARD OF DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-14
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	20
Proprietary Financial Statements	
Statement of Net Assets – Proprietary Fund	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund	23
Notes to Financial Statements	24-46
Required Supplementary Information	
Budgetary Information	47
Budgetary Comparison Schedule-General Fund	48-49
Schedule of Funding Progress for Defined Benefit Pension Plans	50
Schedule of Funding Progress for Other Post-employment Benefits (OPEB)	50
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	51-52
SCHEDULE OF FINDINGS AND RESPONSES	53-57
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS	58

**HAYWARD AREA RECREATION AND PARK DISTRICT
BOARD OF DIRECTORS
JUNE 30, 2012**

<u>Name</u>	<u>Residence</u>	<u>Office</u>	<u>Term Expires</u>
Louis M. Andrade	Castro Valley	President	November 2016
Carol A. Pereira	Hayward	Vice President	November 2014
Paul Hodges, Jr.	Hayward	Secretary	November 2014
Minane Jameson	Hayward	Director	November 2016
Dennis M. Waespi	Castro Valley	Director	November 2016

John Gouveia
General Manager

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hayward Area Recreation and Park District
Hayward, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hayward Area Recreation and Park District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 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* and should be considered in assessing the results of our audit.

The image shows a handwritten signature in black ink that reads "RS Associates". The letters are written in a cursive, flowing style.

San Ramon, California
April 17, 2013

**HAYWARD AREA RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

This section of the Hayward Area Recreation and Park District Annual Financial Report presents a narrative overview and analysis of the financial activities for the year ended June 30, 2012.

The District issues its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments" and Statement 54 (GASB 54) "Fund Balance Reporting and Governmental Fund Type Definitions". The MD&A is a GASB 34 requirement and should be read in conjunction with the basic financial statements.

The District started the funding of the defined benefit OPEB plan in fiscal year 2009/2010, whereas fiscal year 2008/2009 was the first fiscal year the District is required to disclose and provide plan information on cost of public service and the long-run financial health of a government agency as prescribed in Statements 43 (GASB 43) "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) and Statement 45 (GASB 45) "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in the notes of the Financial Statements.

Financial Highlights

Entity-wide

- The District's total net assets were \$69,226K as of June 30, 2012. Of this amount, \$228K was restricted for specified purposes, \$59,934K was invested in capital assets (net of related debt) and \$9,064K in unrestricted net assets which was available to meet the government's operations and ongoing obligations to citizens and creditors other than those that were provided for with restricted resources.
- Entity-wide Governmental net assets increased by \$469K for the year 2012. Total revenue decreased by \$1,441K which was offset by a decrease in expenditure of \$1,239K comparing to those of fiscal year 2011.
- The District's gross long-term debt, excluding unamortized discount and issuance costs, decreased by \$686K mainly due to the addition of new 14 capital lease vehicle principal of 259K which was offset by the decrease of OPEB obligation of \$330K, the decrease of compensated absences of \$9K, the \$493K pay down of existing debt, the returning of 14 old capital lease vehicle principal write-off \$69K and a \$45K credit against the new 14 vehicle debt.

Fund Level

- Governmental Fund balance at the end of June 30, 2012 was \$8.9 million. Approximate 84% of it, \$7.5 million, was available for spending at the District's discretion.
- At the close of the fiscal year, the unassigned fund balance for the General Fund was \$7.4 million or 30% of the total General Fund expenditures of \$24.6 million.

Other Financing Sources/<Uses> for all funds netted to a negative \$341K, which is the result of the transfer of funds between the General Fund, the Capital Project Fund, Other Governmental Funds and the Proprietary Fund, and offset of the addition of new vehicle capital lease \$259K

Overview of the Annual Financial Statements

This discussion and analysis is intended to serve as an introduction to the Hayward Area Recreation and Park District's basic financial statements. The financial statements are composed of four parts:

- (1) The Government-wide Financial Statements
- (2) The Fund Financial Statements
- (3) Notes to the Financial Statements
- (4) Required Supplementary Information

(1) The Government-wide Financial Statements

The entity-wide financial statements provide a longer-term view of the District's activities as a whole, and are composed of the Statement of Net Assets and the Statement of Activities. The statements are reported on the full accrual basis, similar to that used by private sector business. All changes in net assets are reported as soon as the underlying event takes place, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flow in future fiscal periods, such as earned but unused compensating time off.

(2) The Fund Financial Statements

The fund financial statements report the District's operations in more detail than the entity-wide statements and focus primarily on the short-term activities of the District's General Fund and other major funds. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major funds account for major financial activities of the District and are presented individually. While the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

Governmental Funds

All of the District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes and by specific program revenues such as user fees and charges.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements. These statements focus on how cash and other financial assets can readily be converted to available resources and year-end balances that are available for spending. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both reconciliations of the fund balance sheet and fund statements of activities are provided to facilitate the comparison.

The Capital Project Fund and the Debt Service Fund are the two major funds in the governmental fund in addition to the General Fund.

Proprietary Fund

Proprietary funds financial statements are prepared on the full accrual basis and include all of their assets and liabilities, current and long-term. The District's only proprietary fund includes the activities of internal service insurance fund.

Since the District's internal service fund provides goods and services internally to the District's governmental activities, its activities are reported only in total at the fund level. The District uses internal service fund to accumulate and allocate insurance costs among the District's departments. The revenues are eliminated in the Entity-wide Financial Statements and any related profits or losses are returned to the activities that created them, along with any residual net assets of the internal service funds.

(3) Notes to the Financial Statements

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

(4) Required Supplementary Information

In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information other than this discussion and analysis concerning the District's Progress in its obligation to provide pension benefits, other postemployment benefits and budget to actual information for the District's general fund.

Financial Analysis

(A) Government-wide Financial Analysis

This analysis focuses on the net assets and changes in net assets of the District as a whole.

Analysis of Net Assets

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Cash and Investments	\$ 10,183,884	\$ 7,980,279
Other Assets	924,281	3,044,226
Capital Assets	<u>62,694,477</u>	<u>62,667,653</u>
Total Assets	<u>\$ 73,802,642</u>	<u>\$ 73,692,158</u>
Liabilities		
Current Portion of Long-Term Debts	567,053	500,192
Long-Term Liabilities, Net of Current Portion	2,898,647	3,629,503
Other Liabilities	<u>1,110,831</u>	<u>805,069</u>
Total Liabilities	<u>\$ 4,576,531</u>	<u>\$ 4,934,764</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 59,933,816	\$ 59,567,609
Restricted	228,136	227,395
Unrestricted	<u>9,064,159</u>	<u>8,962,390</u>
Total Net Assets	<u>\$ 69,226,111</u>	<u>\$ 68,757,394</u>

Net assets reflect the District's financial position. Governmental net assets amounted to \$69.2 million as of June 30, 2012. The largest portion of the District's net assets is in its capital assets (e.g. land, buildings, infrastructure, computer software and equipment, and capital leased vehicles), less related outstanding debt

used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Also it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Portion of the net assets, \$228K, represents resources that are subject to external restrictions as to how they may be used. They are reserved for debt service.

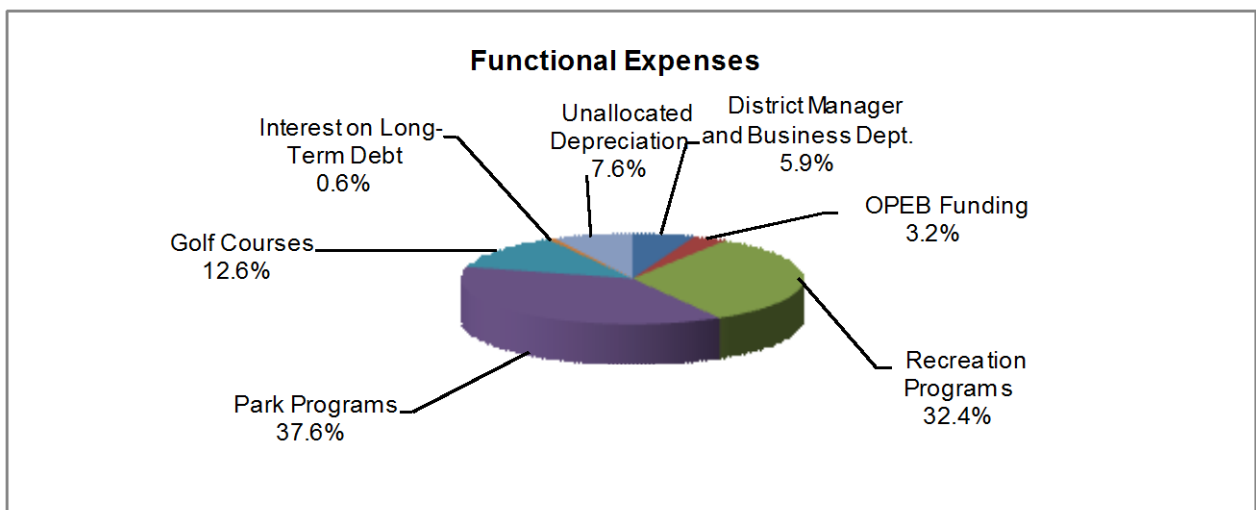
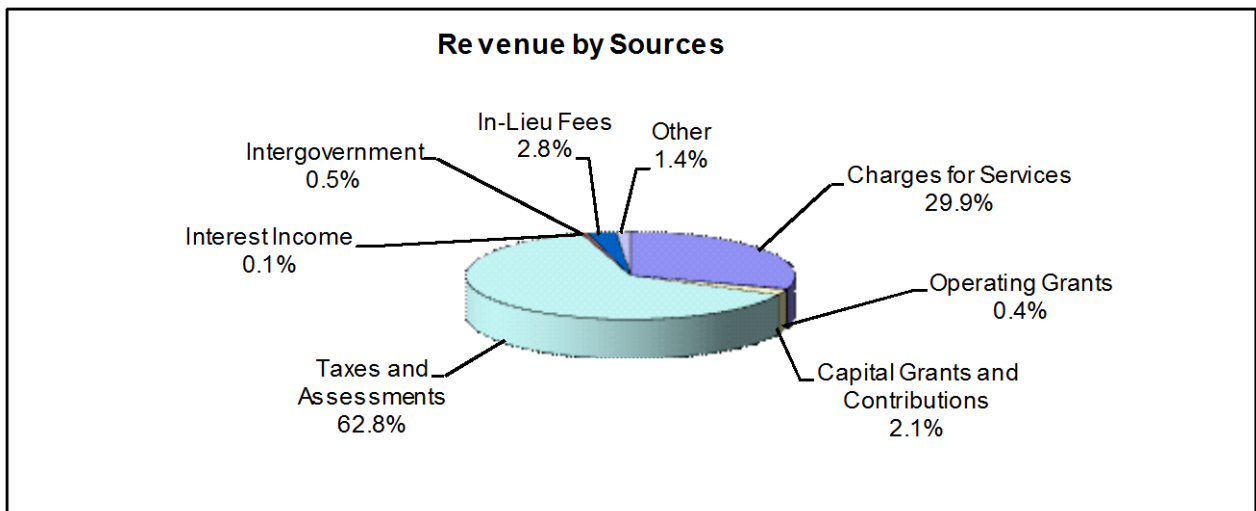
Other portions of the net assets consisted the following:

- Cash and investments of \$10.2 million, as detailed in note 2 of the Financial Statements
- Current receivables totaling \$731K
- Resale inventory totaling \$122K
- Capital assets net of depreciation and amortization of \$62.7 million
- Long-term debt issuance costs net of amortization of \$48K
- Current liabilities, including accounts payable, accrued payroll, interest payable, sales tax payable, and gift certificates and the current portion of the long term debt totaling \$1.7 million
- Accrued compensated absence liability payable to employees of \$657K, as explained in note 4 of the Financial Statements
- Long term debt totaling \$3.47 million, with the current portion being \$567K, as detailed in note 4 of the Financial Statements
- Unrestricted net assets totaling \$9.1 million

Change in Net Assets (in \$)		
	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Revenue		
Program Revenue		
Charges for Services	\$ 8,142,608	\$ 8,093,610
Operating Grants	102,194	73,050
Capital Grants and Contributions	562,140	2,283,060
General Revenue		
Taxes and Assessments	17,102,268	16,123,646
Interest Income	27,814	40,389
Intergovernment	130,670	134,697
In-Lieu Fees	768,962	929,136
Other	384,891	985,251
Total Revenue	<u>27,221,547</u>	<u>28,662,839</u>
Expense		
District Management	2,446,873	3,896,864
Recreation Programs	8,669,178	8,676,585
Park Programs	10,063,093	9,879,736
Golf Courses	3,371,508	3,313,593
Interest on Long-Term Debt	173,138	173,761
Unallocated Depreciation	2,029,040	2,051,251
Total Expenses	<u>26,752,830</u>	<u>27,991,790</u>
Increase/(Decrease) of Net Assets	468,717	671,049
Net Assets – Beginning Balances	<u>68,757,394</u>	<u>68,086,345</u>
Net Assets – Ending Balance	<u>\$ 69,226,111</u>	<u>\$ 68,757,394</u>

The statement of change in net assets presents program revenues, general revenue and general expenses. Charges for services include recreation program registration fees, recreation program and facility admission fees, facility rental fees, facility maintenance fees, golf course activities and equipment rental fees.

General revenue is not allocated to programs. General revenue is used to pay for the costs of governmental operations, programs and facility improvement or maintenance. Fixed Asset depreciation is not allocated to each department.



The sources of revenue chart shows:
 \$17.2 million or 62.8% came from tax revenue,
 \$8.1 million or 29.9% came from charges for services,
 \$769K or 2.8% came from in-lieu fees,
 \$562K or 2.1% came from capital improvement grants and contributions,
 \$385K or 1.4% came from miscellaneous revenue,
 \$102K or 0.4% came from operating grants,
 and \$28K or 0.1% came from interest income.

The functional expenses chart is in compliance with the GASB 34 requirement which included current year's capital assets depreciation expenses and not the current year capital outlay expenditure.

As the chart shows:

District Manager and Business Department expenses, \$1.58 million or 5.9% of total government expenses, Funding the OPEB annual requirement contribution of \$867K was 3.2% of total government expenses, Recreation Programs were \$8.67 million or 32.4% of total government expenses, Park Programs were \$10 million or 37.6% of total government expenses, Golf Courses were \$3.37 million or 12.6% of total government expense, Unallocated Depreciation were \$2.03 million or 7.6% of total government expenses, and interest on long term debt is \$173K or 0.6% of total governmental expenses

Analysis of Changes in Net Assets

The District's net assets increased by \$469K for the fiscal year ended June 30, 2012. Comparing to those of fiscal year ended June 30, 2011, total revenue increased by \$1.44 million and total expenditures increased by \$1.24 million.

Major categories affecting change of the net assets are as follows:

(1) Revenue

Program Revenue

- Capital Grants and Contribution decreased by \$1.7 million from that of fiscal year 2011. Capital Grants and Contribution are reimbursements of capital project costs from the State of California, the Alameda County, the City of Hayward, and others. The decrease was due to the fiscal year 2011 year-end accrual of \$1.8 million from the Federal block grant, Measure WW, and State grant for capital projects of Meek West Terrace Landscaping, JA Holland Park land cleanup and development, and acquisition of Fairmont Terrace property. All these state grants have been received in fiscal year 2012, however, they had to be recorded as income in the fiscal year 2011.
- Charges for Services increased by \$49K or 0.61% during the period comparing to fiscal year 2011. Major differences incurred in the following areas:
 - MJCC program revenue decreased by \$190K due to City of Hayward payments received for September 2009 through December 2010 in the fiscal year 2011 whereas only January 2011 through September 2011 in the fiscal year 2012.
 - Golf Department revenue increased by \$238K or 9.54% mainly due to increase in green fees and power cart rental revenue.
 - Park Department revenue decreased by \$67K or 8.46% mainly due to \$90K Oliver Sports Park Assessment income received for fiscal years 2007 through 2009 in the fiscal year 2011.

General Revenue

- Taxes and assessments increased by \$979K from fiscal year 2011. It was mainly due to receiving of \$614K Residual Distribution of Property Tax from the dissolution of the Redevelopment Agency and additional prior year secured and unsecured taxes.

- In-lieu fees decreased by \$160K or 18% from the previous year. It was the result of receiving County in-lieu fee of \$850K for the Via Toledo Park acquisition in the fiscal year 2011.
- Other revenue decreased by \$600K comparing to fiscal year 2011. It was mainly caused by the \$820K State reimbursement received for the San Lorenzo Unified School District construction project in conjunction with the Holland Park project in the fiscal year 2011. The difference was offset by \$128K more in CAPRI dividend and insurance reimbursement received in the fiscal year 2012.

(2) Expenses

Total expenditures decreased by \$1.2 million or 4.43% during the fiscal year. Major differences from those in the fiscal year ended June 30, 2011 were:

- Payment for the \$820K San Lorenzo Unified School District construction project in conjunction with the Holland Park project in the fiscal year 2011.
- Board of Director election service cost of \$127K in the fiscal year 2011.
- Decrease of \$330K in OPEB (Other Postemploye Health Benefit) balance in the fiscal year 2012 versus increase of \$307K in OPEB balance in the fiscal year 2011 based on Nicolay Consulting's report. Main reasons were due to increase in adjustment to the ARC (Annual Required Contribution) cost and additional contributions on Age-adjusted retiree cost in the fiscal year 2012.
- Total salary, wage and benefits decreased by \$32K of which Business Dept. increased by \$70K, Park Dept. decreased by \$55K, Recreation Dept. decreased by \$114K, and Golf Dept. increased by \$67K.

The increase was due to:

- CalPERS employer portion-increase in CalPERS rate and higher employee salary,
- Increases of employee salary and the step-increases,
- two large vacation payouts due to retirement in the Business Department,

The increase in cost was offset by:

- CalPERS employee portion-employees' contribution of 2% of their salary to the cost,
- unfilled full time positions in the Park Department,
- huge decrease, \$131K, in worker's comp experience rate in the Park Department and lower Long Term Disability rate ,by \$27K, from the new provider,
- reduce or eliminate staffing in some of the Recreation Department programs plus staff in the Recreation maintenance and construction work being on disability,
- cutback on the Ashland Project and elimination of the coordinator position,
- decrease in vacation leave in the Recreation Department,

- Other services and supply costs decreased by \$24K due to the following:
 - \$45K more repair and maintenance costs in general by all departments,
 - \$17.8K more additional software license, backup for computer system, and small tool replacement by IT,
 - \$22K increase in the operation of vehicle and equipment by the Park Dept.,
 - \$24K more in garbage cost and \$22K more in sewage cost,
 - \$18K more with the District's brochure gloss cover,

- \$33K more contract service/instructors for the Recreation programs,
- \$18K more on art consignment costs,
- \$15K paid for completion and filing of the Greater Hayward Area Recreation and Park Foundation delinquent tax returns,
- \$7K increase in legal cost for claim filed by County,

The increase in cost was offset by:

- decrease of \$54K in special project costs than in the fiscal year 2011 by the Park and Golf Departments,
 - \$20K lower electrical usage by the Park Department and \$29K by the Recreation Department,
 - \$18K less of rent and lease of equipments by the Recreation Department,
 - \$8.8K favorable pricing for audit service,
 - \$8K less on contract personnel costs as temp filled the full time position,
- Capitalized equipment costs increased by \$47K was mainly caused by two Ventures West lawn mowers purchased in the fiscal year 2012.
 - Interest on long-term debt almost stayed the same for both fiscal years.
 - Depreciation expenditure was \$1.9 million for the fiscal year which included the reduction of \$84K from retired Fixed Assets items.

(B) Analysis of District's Fund

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Types of governmental funds reported by the District include the General Fund, Capital Project Fund and Other Governmental Funds.

As of June 30, 2012, the District's governmental funds reported combined ending fund balances of \$8.9 million, a decrease of \$598K or 6.3% from the prior year. The unassigned \$7.5 million is available for spending at the District's discretion. The remainder of fund balance not available for spending are:

- To liquidate existing purchase orders and other assigned fund balance \$1.05 million
- For inventory on hand \$122K
- For restricted fund balance \$232K

Revenues for governmental funds totaled \$27 million for the year ended June 30, 2012, which represented a decrease of \$1.57 million or 5.5% from the prior year. Expenditures for governmental funds, totaling \$27.3 million represented a decrease of \$4.2 million or 13.3% from the prior year.

In fiscal year 2012, total governmental fund expenditures exceeded revenue by \$257K versus an expenditures over revenue by \$2.86 million in the year before.

(1) General Fund

The General Fund is the chief operating fund of the District. At the end of fiscal year 2012, the unassigned fund balance for the General Fund was \$7.5 million and the total fund balance was \$7.5 million.

Comparing both the unassigned fund balance and the total fund balance to total expenditures is used as a measure of the General Fund's liquidity. The unassigned fund balance was 30.2% of total General Fund expenditures of \$24.6 million. The total fund balance was 35.9% of total General Fund expenditures. The prior fiscal year percentages were 26.6% and 27.2%, respectively.

General Fund revenue increased by \$166.3K comparing to that of fiscal year 2011. The main reasons were \$975K more tax revenue received, \$49K more Charge for Service, and \$29K more operating grants received. The overage was offset by the \$820K State reimbursement received for the San Lorenzo Unified School District construction project in conjunction with the Holland Park project, \$22K higher interest earned, \$53K CAPRI workers compensation dividend received, and \$28K more donations received in fiscal year 2011.

General Fund expenditures decreased by \$625K this fiscal year mainly due to the above-mentioned fiscal year 2011 \$820K State reimbursement expensed for the San Lorenzo Unified School District construction project in conjunction with the Holland Park project, and increases in salary, benefit and service/supplies costs.

Other financing sources and uses had an outflow of \$143K due to transferring funds to the Capital Project Fund and the Debt Service Fund to pay for capital expenditures and debts.

(2) Capital Project Fund

Comparing with the prior fiscal year, the Capital Project Fund revenue decreased by \$1.7 million from \$3.2 million to \$1.5 million. The decrease was mainly due to receiving the County in-lieu fee of \$850K for the Via Toledo Park acquisition in the fiscal year 2011 and the differences in the amount of capital projects completed in fiscal year 2011 versus 2012.

The Capital Project Fund expenditure decreased by \$3.55 million from \$5.98 million to \$2.42 million which included the new \$214K 14-vehicle capital lease payment whereas in the year before there were more major capital expenditures like the Via Toledo land acquisition and Meek Estate Park West Terrace project.

As of June 30, 2012, the Capital Projects Fund's fund balance totaled \$991K, all are under the assigned fund balance category.

(3) Other Governmental Funds

These funds are composed of the Promissory Note Fund and the District's Park Maintenance Assessment Fund. The fund balance of these funds mainly consisted of the \$232K cash with fiscal agent at the Bank of New York Mellon.

General Fund Actuals vs. Revised Budget Comparison

- (A) The fiscal year 2012 actual General Fund revenue exceeded the 2012 Revised Budget revenue by \$1.9 million or 8%. The main variances were:
- Tax revenue including the homeowner’s property tax relief exceeded the Revised Budget by \$1.4 million.
 - Rent, concessions and fees brought in \$449K more than planned. Main contributors to the overage were higher than budgeted amounts of \$249K in the Recreation registration and fees, \$82K in donation, \$40K in Kennedy Amusement Park, \$23K in other park operations, and \$68K in use of facilities. Total discount and complimentary was lower than expected by \$63K. The higher than budgeted amount was offset by the \$101K lower than budgeted amount in the Golf Department operation.
 - Interest income was \$6.5K less than expected due to extremely low interest rate.
- (B) The District’s actual General Fund expenditures were higher than the 2012 Revised Budget by \$749K.
- Overages in Recreation Department’s personnel of \$317K, and service and supplies costs of \$125K, and overage in the Park Department’s service and supplies costs of \$445K were offset by other departments’ lower than budgeted amounts.

Capital Assets and Debt Administration

(1) Capital Assets

For government-wide statement of net assets presentation, all depreciable capital assets are depreciated from the date they are placed in service to the end of the current fiscal year. Whereas governmental fund financial statements record capital asset purchases as expenditures.

Capital Assets Net of Accumulated Depreciation

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 18,661,942	\$ 18,077,787
Construction in Progress	1,953,048	4,498,839
Building and Land Improvement	40,598,666	38,608,787
Equipment and Others	<u>1,480,821</u>	<u>1,482,240</u>
Total	<u>\$ 62,694,477</u>	<u>\$ 62,667,653</u>

The District’s capital assets as of June 30, 2012 totaled \$62.7 million, net of accumulated depreciation, as shown in the table above. The investment in capital assets includes land, construction in progress, building and land improvements, equipment and other fixed assets. The total amount, with the construction in progress, represented an overall increase in the District’s capital assets for the current fiscal year, net of depreciation, of \$27K. The District recorded \$2 million in depreciation on its existing capital assets for the fiscal year.

Additional information about the District capital assets can be found in note 3 of the financial statements.

(2) Debt Administration

At the end of the fiscal year 2012, the District had long-term obligations outstanding of \$3.4 million, excluding unamortized discount and issuance cost of \$48K. The District issued no new bonded debt but added a new 14-vehicle capital leased fleet to the existing agreement with Enterprise to return 14 old Enterprise vehicles and replace them with 14 new vehicles for the District. Any gain on sale of these returned vehicles after fee deduction by Enterprise would be given to the District per the contract. Also a total credit of \$44,800 gain from prior unit was applied to the principal of the new 14 vehicles.

Due to using an earlier version of the OPEB funding schedule, the District underfunded \$156K of the annual required amount in the fiscal year 2012. However, based on the final funding schedule with adjustment of the Annual Required Contribution, the actual contribution, and the Age Related Retiree Cost, the net OPEB obligation at the end of the year is <\$22K>.

The District made all scheduled repayments of existing debt. Each of the District’s debt issues is discussed in detail in note 4 of the financial statements. As of June 30, 2012, the District’s debt was composed of:

Outstanding Long-term Debt		
	June 30,	
	<u>2012</u>	<u>2011</u>
Certificates of Participation	\$ 1,165,000	\$ 1,330,000
Issued in 1998, 3.6%-5%, due December 2017		
15 Year Note	133,183	182,443
Issued in 2000, 8%, due August 2014		
Refinanced March 2004, 4.5%, due November 2014		
Capital Lease	865,452	884,453
State Supplemental Loan	76,659	76,659
Issued in 1986, 0% interest, no specified due date		
Bank of the West Loan #59/#83	238,027	299,607
Issued August 2010, 6%, due September 2011		
Later refinanced in fiscal year 2012		
Bank of the West Loan #75		
Issued August 2010, 5.5%, due August 2017		
Later refinanced in fiscal year 2013	330,198	383,441
Long Term Debt-OPEB	<22,484>	307,174
Compensated Absences	<u>657,181</u>	<u>665,918</u>
Total Governmental Debt Activity	\$ <u><u>3,443,216</u></u>	\$ <u><u>4,129,695</u></u>

Request for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors and creditors with a general overview of the District’s finances. Questions about this report should be directed to Hayward Area Recreation and Park District, May-chi Yuan, District Accountant at (510) 881-6727.

HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets:

Cash and investments	\$ 10,183,884
Accounts receivable	731,467
Inventory	122,472
Net Pension Obligation asset - OPEB	22,484
Land	18,661,942
Construction in progress	1,953,048
Building and improvements	93,105,058
Equipment and others	4,493,303
Less: accumulated depreciation	(55,518,874)
Long-term debt issuance costs, net of accumulated amortization	<u>47,858</u>
 Total assets	 <u>73,802,642</u>

Liabilities:

Accounts payable	641,549
Accrued payroll	233,147
Accrued interest payable	3,426
Deposits payable	180,387
Sales tax payable	10,408
Gift certificates outstanding	41,914
Noncurrent liabilities	
Due within one year	567,053
Due in more than one year	<u>2,898,647</u>
 Total Liabilities	 <u>4,576,531</u>

Net assets:

Invested in capital assets, net of related debt	59,933,816
Restricted for debt service	228,136
Unrestricted	<u>9,064,159</u>
 Total net assets	 <u>\$ 69,226,111</u>

The accompanying notes are an integral part of these financial statements

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets	
Governmental activities:					
District management	\$ 2,446,873	\$ 343,681	\$	\$ 562,140	\$ (1,541,052)
Recreation programs	8,669,178	4,339,572	102,194		(4,227,412)
Park programs	10,063,093	722,093			(9,341,000)
Golf courses	3,371,508	2,737,262			(634,246)
Interest on long-term debt	173,138				(173,138)
Unallocated depreciation	2,029,040				(2,029,040)
Total governmental activities	\$ 26,752,830	\$ 8,142,608	\$ 102,194	\$ 562,140	(17,945,888)
General revenues:					
Taxes and assessments					17,102,268
Use of money and property					27,814
Intergovernmental					130,670
In-lieu fees					768,962
Other revenues					384,891
Total general revenues					18,414,605
Change in net assets					468,717
Net assets - beginning					68,757,394
Net assets - ending					\$ 69,226,111

The accompanying notes are an integral part of these financial statements

**HAYWARD AREA RECREATION AND PARK DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Cash and investment	\$ 8,211,803	\$ 660,301	\$ 231,562	\$ 9,103,666
Accounts receivable	232,722	498,745		731,467
Inventory	<u>122,472</u>			<u>122,472</u>
Total assets	<u>\$ 8,566,997</u>	<u>\$ 1,159,046</u>	<u>\$ 231,562</u>	<u>\$ 9,957,605</u>
<u>Liabilities and Fund Balances:</u>				
Liabilities:				
Accounts payable	\$ 473,278	\$ 168,271		\$ 641,549
Accrued payroll	233,147			233,147
Deposits payable	180,387			180,387
Sales tax payable	10,408			10,408
Gift certificates outstanding	<u>41,914</u>			<u>41,914</u>
Total liabilities	<u>939,134</u>	<u>168,271</u>		<u>1,107,405</u>
<u>Fund balance:</u>				
Nonspendable	122,472			122,472
Restricted			231,562	231,562
Assigned	58,640	990,775		1,049,415
Unassigned	<u>7,446,751</u>			<u>7,446,751</u>
Total fund balance	<u>7,627,863</u>	<u>990,775</u>	<u>231,562</u>	<u>8,850,200</u>
Total liabilities and fund balance	<u>\$ 8,566,997</u>	<u>\$ 1,159,046</u>	<u>\$ 231,562</u>	<u>\$ 9,957,605</u>

The accompanying notes are an integral part of these financial statements

**HAYWARD AREA RECREATION AND PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total fund balance - governmental funds	\$ 8,850,200
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation have not been included as financial resources in the governmental funds	62,694,477
Net pension obligation - OPEB was not a current financial resource. Therefore it was not reported in Governmental Funds Balance Sheet	22,484
Long-term debt has not been included in the governmental funds	(3,465,700)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.	(3,426)
Internal service funds are used by management to charge the costs of certain activities such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.	1,080,218
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.	47,858
Net assets of governmental activities	\$ <u><u>69,226,111</u></u>

The accompanying notes are an integral part of these financial statements

HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE:				
Taxes and assessments	\$ 17,102,268	\$	\$	\$ 17,102,268
Interest	23,691		28	23,719
Aid from governmental agencies:				
Homeowners' property tax relief	130,670			130,670
Grants	102,194	562,140		664,334
Rents, concessions, and fees	8,142,608			8,142,608
Other:				
In-lieu fees		768,962		768,962
Miscellaneous	16,913	166,697		183,610
	<u>25,518,344</u>	<u>1,497,799</u>	<u>28</u>	<u>27,016,171</u>
EXPENDITURES:				
Current:				
District management	2,781,081			2,781,081
Recreation programs	8,490,586			8,490,586
Parks	9,884,349			9,884,349
Golf courses	3,315,635			3,315,635
Debt service:				
Other Expenses		38,286		38,286
Principal		328,309	165,000	493,309
Interest expense		102,775	62,375	165,150
Capital outlay	151,496	1,953,361		2,104,857
	<u>24,623,147</u>	<u>2,422,731</u>	<u>227,375</u>	<u>27,273,253</u>
Excess of revenues over (under) expenditures	<u>895,197</u>	<u>(924,932)</u>	<u>(227,347)</u>	<u>(257,082)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,015,004	694,402	227,375	1,936,781
Proceeds from loan				
Issuance of capital lease		258,986		258,986
Transfers out	<u>(1,157,608)</u>	<u>(1,379,502)</u>		<u>(2,537,110)</u>
	<u>(142,604)</u>	<u>(426,114)</u>	<u>227,375</u>	<u>(341,343)</u>
Net change in fund balances	752,593	(1,351,046)	28	(598,425)
Fund balance - beginning	<u>6,875,270</u>	<u>2,341,821</u>	<u>231,534</u>	<u>9,448,625</u>
Fund balance - ending	<u>\$ 7,627,863</u>	<u>\$ 990,775</u>	<u>\$ 231,562</u>	<u>\$ 8,850,200</u>

The accompanying notes are an integral part of these financial statements

**HAYWARD AREA RECREATION AND PARK DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds	\$ (598,425)
Amounts reported for governmental activities in the statement of activities differ because	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$2,104,857 exceeds depreciation expense of \$2,029,040 in the period.	75,817
Accrued interest for long-term debt payable. This is the net change in accrued interest for the current period.	713
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. This is the amount of debt payment during the year.	493,309
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year the difference between OPEB costs and the total of actual employer contribution and the age related retiree cost was:	329,658
The issuance of long-term debt provides current financial resources to governmental funds, but the loans are reported as long-term liabilities	
Issuance of Capital Lease	(258,986)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.	361,827
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. Amortization expense during the period was \$8,701	(8,701)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was less than the amounts used by \$8737	8,737
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	64,768
Total change in net assets - governmental activities	\$ <u>468,717</u>

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

		Governmental Activities - Internal Service Fund
		<u> </u>
Assets:		
Current assets:	\$	
Cash and investments		<u>1,080,218</u>
Total assets		<u>1,080,218</u>
Net Assets:		
Unrestricted		<u>1,080,218</u>
Total net assets	\$	<u><u>1,080,218</u></u>

The accompanying notes are an integral part of these financial statements

HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund
Operating expense:	
Insurance premiums	\$ <u>443,878</u>
Total operating expenses	<u>443,878</u>
 Operating revenue	
Miscellaneous income	<u>201,281</u>
Total operating revenue	<u>201,281</u>
Operating loss	<u>(242,597)</u>
 Non-operating revenue:	
Investment income	<u>4,095</u>
Total non-operating revenues	<u>4,095</u>
 Other financing sources:	
Transfers in	<u>600,329</u>
Total other financing sources	600,329
Change in net assets	361,827
Total net assets - beginning	<u>718,391</u>
Total net assets - ending	\$ <u><u>1,080,218</u></u>

The accompanying notes are an integral part of these financial statements

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Payments for services	\$ <u>(242,597)</u>
Net cash used by operating activities	<u>(242,597)</u>
Cash flows from investing activities:	
Interest received	<u>4,095</u>
Net cash provided by investing activities	<u>4,095</u>
Cash flows from other financing sources:	
Transfers in	<u>600,329</u>
Net cash used by other financial sources	<u>600,329</u>
Net decrease in cash and cash equivalents	361,827
Cash and cash equivalents, beginning of year	<u>718,391</u>
Cash and cash equivalents, end of year	\$ <u><u>1,080,218</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>(242,597)</u>
Net cash used by operating activities	\$ <u><u>(242,597)</u></u>

The accompanying notes are an integral part of these financial statements

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Hayward Area Recreation and Park District (the District) was formed in 1944, to provide parks and recreation for the incorporated and unincorporated areas under its jurisdiction.

No other governmental agency has any budgetary approval or financial control over the District. The District is the only entity included in these financial statements. The following is a summary of significant accounting policies of the District.

The District's basic financial statements include the operations of all organizations for which the District's Board of directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying basic financial statements in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

B. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Statements

The statement of net assets and the statement of activities display information about the overall District. Eliminations have been made to minimize the accounting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function the District's governmental activities. Direct expenses are those that are specifically associated with program, or function, and, therefore, are clearly identifiable to a particular function. Program revenues include a) charges paid by the recipients of goods or services offered by the program, b) grants and contributions that are restricted to meeting the operational needs of a particular program, and c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Fund Financial Statements:

Fund financial statements provide information about the District's fund. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported the following major governmental funds in the accompanying financial statements.

General Fund – This fund is used for all the general revenues of the District not specifically levied or collected for other District's funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

Capital Projects Fund – This fund is used to account for financial resources of the District to be used for the acquisition or construction of major capital facilities.

In addition, the District reports the following fund type:

Proprietary Fund Type

Internal Service Fund – This fund is used to account for the financing of goods or services provided by one department to other departments of the District for insurance costs on a cost reimbursement basis.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Government –wide and proprietary fund financial statements:

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, special assessments, grants and donations. On the accrual basis, revenues from taxes are recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Certain indirect costs are included in program expenses reported for individual functions and activities.

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

Governmental Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available within the current period or soon enough thereafter to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, certain other intergovernmental revenues, certain charges for services and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

D. Accrued Vacation Payable

Accumulated vacation benefits are recognized as a liability of the District. At June 30, 2012, the total accrued vacation subject to redemption amounted to approximately \$657,181.

E. Inventory

Inventory is valued at cost and is determined on a first-out basis. Inventory consists of merchandise at the Skywest Golf Course, Mission Hills of Hayward Golf Course, Mission Hills of Hayward Driving Range, Hayward Shoreline Interpretive Center, Swim Centers and Kennedy Park Concessions.

F. Property Tax Levy, Collection and Maximum Rates

The State of California Constitution Article XIII(A), provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value when an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of fair value as defined by Article XIII(A), and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts, and other districts.

Alameda County assesses properties, bills for and collects property taxes and special assessments as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	January 1	January 1
Lien/levy dates	January 1	January 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (November Due Date) April 10 (February Due Date)	August 31

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

G. Cash and Investments

The District pools cash for the purpose of increasing income through investment activities. All investments are carried at fair value. Interest income on investments is allocated to certain funds based on the source of the investments in the fund and based on legal requirements. Cash in County Treasury is used in preparing the proprietary fund's statement of cash flows. The District considers all investments with a maturity of three months or less when purchased to be cash and cash equivalents.

H. Interfund Transactions

Amounts may be transferred from one fund to another by the District. These interfund transactions occur for the reasons described below and are accounted for as follows:

Quasi-External Transactions – Transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.

Reimbursements – Transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and serve as a reduction of expenditures in the receiving fund.

Operating Transfers – Transactions to allocate resources from one fund to another fund. These transactions are recorded as other financing sources (uses).

Residual Equity Transfers – Non-recurring or non-routine transfers of equity between funds.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB and the AICPA 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 and the reported amounts of revenues and expenditures/ expenses during the reporting period. Actual results could differ from those estimates.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

J. District Programs

Pursuant to GASB Statement No. 34, the district has organized its revenues and expenditures into the following Programs: Recreation, Park, and Golf. The District also has the District Management category for the reporting of indirect expenses. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions.

K. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. With the implementation of GASB Statement No. 34, the District has recorded all its capital assets which include land, building and improvements, and equipment and others, e.g. computer software. The District has adopted a policy of capitalizing all capital asset acquisitions in excess of \$5,000.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. Depreciation is calculated using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Buildings	40 years
Improvements	40 years
Equipment and others	5-10 years

L. Amortization of Debt Expense and Debt Discounts

The cost of issuance of long-term debt and debt discount are being amortized on the straight line method over the life of the debt on the government-wide statements.

M. Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2: CASH AND INVESTMENTS

Cash and Investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Cash and Investments	\$ <u>10,183,884</u>
Total	\$ <u><u>10,183,884</u></u>

Cash and investments as of June 30, 2012 consist of the following:

Deposits with Financial Institution	\$ 2,431,495
Cash in County Treasury	7,520,889
Investments	<u>231,500</u>
Total	\$ <u><u>10,183,884</u></u>

Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

Investments

The Districts investments consist of (a) County Treasurer's investments, (b) Investments with fiscal agents.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Cash in County Treasury

The Department maintains its available cash in Alameda County Treasury. The County pools these funds with those of other agencies and invests the cash. These pooled funds are carried at cost, which approximates the market value. All the funds in the pool share any investments losses proportionately.

Funds with the County Treasurer are invested pursuant to investment policy established by the Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the County deposits funds, the types of investment instruments and the percentage of the portfolio which may be invested in certain instruments, as permitted by Section 53600 et seq. of the Government Code of the State of California. Authorized instruments in which the Treasurer can invest include debts issued by the County, US Treasury securities, banker's acceptances, federal, state and local government securities, commercial paper, medium-term corporate notes, negotiable certificates of deposit, local agency investment fund, money market funds, mutual funds, and mortgage-backed securities. Information regarding the characteristics of the entire investment pool can be found in the County's June 30, 2012 comprehensive annual financial report. A copy of that report may be obtained by contacting the County's Auditor-Controller Agency, 1221 Oak Street, Room 220, Oakland, CA 94612. As of June 30, 2012, the District's share of the County's cash and investment pool totaled \$7,520,889.

Investment Authorized by Debt Agreements

As of June 30, 2012, investments with fiscal agents consisted of the following:

<u>Investment Type</u>	<u>Credit Rating</u> S&P's/ Moody's	<u>Investment Maturities (in Years)</u>				<u>Fair Value</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>More than 5</u>		
Money market Fund	N/A	\$ 231,500	\$	\$	\$ 231,500	
		\$ 231,500	\$	\$	\$ 231,500	
Total		\$ 231,500	\$	\$	\$ 231,500	

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Investment of note proceeds held by note trustees are governed by provisions of debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization.

Concentration of Credit risk

There are no investments in any one issuer that represent 5% or more of total District investments.

NOTE 3: CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance 7/1/2011		Additions		Deletions		Balance 6/30/2012
Capital assets, not depreciated							
Land	\$ 18,077,787	\$	584,155	\$		\$	18,661,942
Construction in progress	4,498,839		1,697,725		(4,243,516)		1,953,048
	<u>22,576,626</u>		<u>2,281,880</u>		<u>(4,243,516)</u>		<u>20,614,990</u>
Total Capital assets, not depreciated							
Capital assets being depreciated							
Buildings and improvements	89,449,047		3,656,011				93,105,058
Equipment and others	4,216,246		410,482		(133,425)		4,493,303
	<u>93,665,293</u>		<u>4,066,493</u>		<u>(133,425)</u>		<u>97,598,361</u>
Total capital assets, being depreciated							

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Less accumulated depreciation for:				
Buildings and Improvements	(50,840,260)	(1,666,132)		(52,506,392)
Equipment	<u>(2,734,006)</u>	<u>(362,908)</u>	<u>84,432</u>	<u>(3,012,482)</u>
Total accumulated depreciation	<u>(53,574,266)</u>	<u>(2,029,040)</u>	<u>84,432</u>	<u>(55,518,874)</u>
Total capital assets, being depreciated, net	<u>40,091,027</u>	<u>2,037,453</u>	<u>(48,993)</u>	<u>42,079,487</u>
Capital assets, net	<u>\$ 62,667,653</u>	<u>\$ 4,319,333</u>	<u>\$ (4,292,509)</u>	<u>\$ 62,694,477</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Unallocated	\$ <u>2,029,040</u>
Total depreciation expense	\$ <u><u>2,029,040</u></u>

NOTE 4: LONG-TERM DEBT

A. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due within One Year
BART note	\$ 182,443	\$	\$ 49,260	\$ 133,183	\$ 51,502
State supplemental loan	76,659			76,659	
Certificates of participation	1,330,000		165,000	1,165,000	170,000
Loan payable –Bank of the West	299,607		61,580	238,027	69,141
Loan payable –Bank of the West	383,441		53,243	330,198	56,114
Compensated absences	665,918		8,737	657,181	
Capital leases	884,453	214,186	233,187	865,452	220,296
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,822,521</u>	<u>\$ 214,186</u>	<u>\$ 571,007</u>	<u>\$ 3,465,700</u>	<u>\$ 567,053</u>

**HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

The detail of long-term debt is as follows:

A. BART Note

In 2000, the District purchased two parcels of land from San Francisco Bay Area Rapid Transit (BART). The District issued an unsecured note of \$582,000 to be paid in 30 bi-annual installments of \$33,657, which includes interest at 8% per payment. On March 17, 2005, the District refinanced the loan. The remainder of the loan is to be paid in 21 semi-annual installments of \$28,461, which includes interest at 4.5% per payment. The last installment is due November 5, 2014. The outstanding balance of the note as of June 30, 2012, was \$133,183

The future remaining debt service payments are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2013	4.50%	\$ 51,502	\$ 5,420	\$ 56,922
2014	4.50%	53,846	3,076	56,922
2015	4.50%	27,835	627	28,462
Total		\$ <u>133,183</u>	\$ <u>9,123</u>	\$ <u>142,306</u>

B. State supplemental Loan

On April 16, 1986, the State of California issued a loan in the amount of \$275,000 with 0% to the District. The terms of the agreement were that the County of Alameda was to collect from the District on behalf of the State of California. At June 30, 2012, \$76,659 remains outstanding.

C. Certificates of Participation

On March 3, 1998, the California Special District Finance Corporation issued 1998 Series HH Certificates of Participation in the amount of \$2,855,000 with an interest rate of 5% to the District. The term of issuance is 20 years, with the District reserving the right to redeem any outstanding Certificates of participation after 10 years. The loan had an original issue discount of \$16,298, issuance costs of \$156,277, and was collateralized by the District's administrative building and corporate yard. The purpose of the loan was to finance the development of the Mission Hills of Hayward Golf Course.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Interest on the Certificates of Participation is payable on June 15 and December 15 of each fiscal year, beginning December 15, 1998. Principal is payable on December 15 of each fiscal year, beginning December 15, 1998. The Bank of New York Mellon is the District Trustee as of June 30, 2012. The outstanding balance of the certificates on June 30, 2012, was \$1,165,000.

The future remaining debt service payments are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2013	5.00%	\$ 170,000	\$ 54,000	\$ 224,000
2014	5.00%	180,000	45,250	225,250
2015	5.00%	190,000	36,000	226,000
2016	5.00%	200,000	26,250	226,250
2017	5.00%	205,000	16,125	221,125
2018	5.00%	220,000	5,500	225,500
Total		\$ <u>1,165,000</u>	\$ <u>183,125</u>	\$ <u>1,348,125</u>

D. Loan Payable –Bank of the West

The District entered into a loan agreement with the Bank of the West for unsecured business loan in the amount of \$335,500 on August 25, 2010. The loan is payable in 11 monthly consecutive installments of principal and interest beginning October 10, 2010. Interest is calculated at the rate of 6% on unpaid principal balance. The loan matures on September 10, 2011 with the final payment of interest and principal of \$293,200. The District made principal payments of \$11,964 and renewed the loan on September 21, 2011 in the amount of \$287,643 for four years at an annual rate of 4.97%. The loan is payable in monthly installments of \$6,630. The loan was for the purchase of 18651 Via Toledo Property, San Lorenzo, Alameda County CA.

The future remaining debt service payments under the new loan are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2013	4.97%	\$ 69,141	\$ 10,415	\$ 79,556
2014	4.97%	72,707	6,849	79,556
2015	4.97%	76,456	3,100	79,556
2016	4.97%	19,723	166	19,889
Total		\$ <u>238,027</u>	\$ <u>20,530</u>	\$ <u>258,557</u>

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

E. Loan Payable –Bank of the West

The District has obtained loan of \$425,904 on August 26, 2010 from Bank of the West. The loan is secured by 18651 Via Toledo Property, San Lorenzo, Alameda County, CA. The loan is payable in monthly installments of \$6,137 including interest at the rate of 5.5%. Beginning September 26, 2011 interest is calculated at 5.99% on the unpaid principal balance and the monthly installment including principal and interest is \$6,219.

The future remaining debt service payments under the new loan are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	5.99%	\$ 56,114	\$ 18,512	\$ 74,626
2014	5.99%	59,619	15,007	74,626
2015	5.99%	63,342	11,284	74,626
2016	5.99%	67,280	7,346	74,626
2017	5.99%	71,499	3,127	74,626
2018-2019	5.99%	12,344	94	12,438
Total		<u>\$ 330,198</u>	<u>\$ 55,370</u>	<u>\$ 385,568</u>

F. Capital Leases

The District leases equipment under agreements that the title of the equipment to pass upon expiration of the lease period or the equipment will be used for the majority of its useful life.

A new 60 month capital lease of \$214,186 for a 14-vehicle fleet including a balloon payment of \$47,067 at the end of the term was signed with the same vendor, Enterprise, to turn in 14 old vehicles and replace them with the new fleet. Of which, 9 vehicles were returned in fiscal year 2012 and 5 vehicles were returned in the fiscal year after that. In the fiscal year 2012, the 9 vehicles with net book value of \$48,993 and remaining principal balance of \$68,626 were written off and returned to the vendor. Total 14 new vehicles were received in the fiscal year 2012.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,

2012	\$	280,696
2013		230,653
2014		270,714
2015		138,992
2016		41,119
Thereafter		47,006
		1,009,180
Less: amount representing interest and taxes		(143,728)
Present value of net minimum lease payments	\$	865,452

The District will not receive sublease rental revenues nor pay any contingent rentals for these leased assets.

G. Other Postemployment Benefit (OPEB) Obligation

The District accounts for OPEB in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. As of June 30, 2012, the Net OPEB asset was \$22,484. See Note 6 for additional information regarding OPEB Obligation and the postemployment benefit plan.

NOTE 5: PENSION PLAN

The District has defined benefit pension plan, the California Public Employees' Retirement System (CALPERS) Miscellaneous Plan. The plan provides retirement, disability and death benefits.

The schedule of funding progress, included in the RSI section, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

A. Plan Description

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system. PERS provides retirement, disability and death benefits. All regular District employees and a group of 16 hourly employees participate in PERS. Employees are vested after five years of service and qualified to receive retirement benefits at the age of fifty five. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Benefit provisions and all other requirements are established by state statute and the District's ordinance. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from the Executive Office, 400 P Street, Sacramento, and CA95814.

B. Funding Policy

In fiscal year 2012, District employees are required to contribute two percent (2%) of the eight percent (8%) portion of their annual salary to PERS. The District makes the rest of the contribution required of the District's employees on their behalf and for their account. The District's payment of employees' portion of contribution totaled \$509,852 for fiscal year 2012. The District is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The current rate of employer contribution is 15.861% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011-2012, the District's annual pension cost of \$1,167,453 for PERS was equal to the District's required actual contributions. The required contributions were determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method.

Significant actuarial assumptions used in the valuation included: (1) 7.75% investment rate of return (net of administrative expenses), (2) projected salary increases of 3.30% to 14.45% depending on age, service, and type of employment, and (3) inflation rate of 3.0% compounded annually and no post retirement benefit increases. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of two to five years. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

D. Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	822,568	100%	\$ 0
6/30/11	856,883	100%	\$ 0
6/30/12	1,167,453	100%	\$ 0

**HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

E. Funded Status of the Plan

Risk Pool

	(A)	(B)	(C)	(D)	(E)	(F)
Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability Excess Assets [(A)-(B)]	Funded Status Ratio [(B)/(A)]	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Covered Payroll $\{[(A)-(B)/(E)]\}$
6/30/11	56,218,042	46,517,874	9,700,528	82.70%	7,457,024	130.1%

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS

In 2007, the Hayward Area Recreation and Park District implemented a defined contribution program (PEHP) for all future new hires and those existing employees who had decided to take the one-time offered plan (see the note of PEHP for details).

Another plan provided by the District is the Other Postemployment Medical Benefits (OPEB). It is provided to a closed group of retirees and those employees hired before Jul. 1, 2007 who opted not to take the PEHP offer and decided to meet and satisfy the OPEB plan eligibility requirements.

Other Postemployment medical benefits

A. Plan Description

The OPEB plan covers payment for the appropriate type and hospitalization plan for single (retiree) or two-party (retiree and spouse). As of June 30, 2012, there were ten (10) singles, and thirty (30) retirees and spouses enrolled in the OPEB.

- (1) If the employee retires after working at the District for at least eleven years and begins receiving retirement pay from PERS upon leaving the District, District will pay four months' coverage for every full year's service after the ten years' service, e.g. four months' coverage for eleven full years of service, eight months' coverage for twelve years of service, etc.
- (2) If the employee retires after working at the District for at least twenty years of full-time service, District will pay the coverage for the life of the retiree.
- (3) Coverage will be based on the Kaiser rate. Retirees pay the difference if the premium of their plan exceeds the Kaiser plan.
- (4) When retiree and/or spouse become eligible for Medicare (age 65), the District will pay only the premium charged for parts A & B Medicare coverage.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

- (5) If the retiree moves out of the service area of his/her HMO plan, he/she has the option to either change to the District's PPO plan and pay the excess or purchase his/her own insurance plan and get reimbursed for the cost of the premium not to exceed the District's group rate.
- (6) Whether or not eligible for (1) or (2) above, all retirees and their spouses may elect to continue coverage under the District's group medical/hospitalization/dental plans at their own expense after eligibility for District's payment of premiums has been exhausted.

Nicolay Consulting Group is contracted with the District to produce the Actuarial Valuation of Postemployment Medical Plan. The plan is based on employee data and plan information supplied by the District. The July 1, 2011 report has been prepared in accordance with general accepted actuarial principles and methods.

The schedule of funding progress, included in RSI section, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

B. Funding Policy

The District set up an OPEB Trust with the Public Agencies Retirement Service (PARS) in 2010 for the funding of the OPEB cost. The Trust is structured as a multiple-employer trust in accordance with Section 115 of the Internal Revenue Code. To comply with GASB 45 and 43, the Trust was prepared as an irrevocable exclusive benefit trust to fund retiree health care benefits.

For fiscal year 2012, the District contributed a total of \$866,806 to the plan, which also earned investment income of \$39,581. The estimated Actuarial Accrued liability (AAL) as projected for June 30, 2012 was \$11,651,741. The District has elected a closed 30 year amortization of the Unfunded Actuarial Accrued Liability (UAAL) using the level dollar amortization method.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

C. Annual OPEB Cost

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the Fiscal Year 2012 are as follows:

Required annual contribution (ARC)	\$	1,023,347
Interest on net OPEB obligation		18,430
Adjustment to ARC		(23,252)
Annual OPEB Cost		1,018,525
Age Adjusted retiree cost		(481,377)
Contributions made		(866,806)
Decrease in NPO		(329,658)
NPO liability/(asset) beginning of the year		307,174
NPO (asset) end of the year	\$	(22,484)

The NPO asset is recorded as prepaid item on the Government wide Statement of Net Assets.

Plan cost, the percentage of annual cost contributed to the Plan and the net OPEB obligation are as follows:

Year ended June 30	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Age adjusted retiree cost	Net OPEB Obligation
2010	\$ 1,061,702	\$ 839,116	79%	\$ (322,510)	\$ 497,498
2010	\$ 1,032,293	\$ 853,986	83%	\$ (368,631)	\$ 307,174
2012	\$ 1,018,525	\$ 866,806	85%	\$ (481,377)	\$ (22,484)

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included in RSI section, presents multi-

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits are based on the OPEB plan with census data provided by the District as of July 2011. Estimates of retiree health benefit obligations are based on current costs for a one year period which is composed of average per capita cost and the current plan population, etc. Demographic assumptions, withdrawal rates, retirement rates, and mortality rates are based on the most recent California PERS retirement plan valuation. Other assumptions include 100% eligible retirees enrollment in the OPEB plan, retirees and active employees who currently have a spouse will continue spousal coverage throughout retirement, and existing and future retirees' enrollment in Medicare when they reach age 65.

The valuation results are based on a 6% discount rate assuming that the District will continue its prefunding program by making annual Trust fund contributions at least equal to the District's Annual OPEB cost.

The valuation uses the Entry Age Normal Actuarial Cost method and a closed 30-year amortization of the Unfunded Actuarial Accrued Liability with the level percentage of payroll amortization method. Three years of amortization have occurred; 27 years remain.

Postemployment healthcare plan (PEHP)

A. Plan Description

PEHP is a tax-free defined contribution health reimbursement arrangement (HRA) which allows employers to set aside money for the payment of medical expenses that retirees will incur after they sever employment. The contributions, accumulations and reimbursements are all tax exempt.

As of July 1, 2007, HARD employees who had decided not to work at the District until they were eligible for the Other Post Employment Benefit Plan (OPEB) would participate in the plan. This was a one-time offer. New hires employed by HARD after July 1, 2007 are automatically enrolled in PEHP. PEHP helps reduce the future impact of OPEB on unfunded liabilities of the District. As of June 30, 2012, there were forty one (41) employees enrolled in the PEHP plan.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

PEHP can reimburse the cost of medical insurance premiums and may also reimburse out-of-pocket cost of medical expenses such as prescription drugs, co-pays and eyeglasses. Reimbursements made to retirees from their PEHP accounts are free from federal income and FICA taxes.

B. Funding Policy

PEHP has no annual limit on contributions. The District contributes 1.5% of participating employees' base salaries to Nationwide Retirement Solutions each month. For the fiscal year FY 2012, the District has funded \$36,578 to the plan.

C. Plan Value

The balance in the District's quarterly statement was \$157,662 as of June 30, 2012. Plan participants can monitor and make selections between a list of funds available for the amount allocation. Participants also receive quarterly statement of their account allocations and balances.

NOTE 7: RISK MANAGEMENT

California Association for Park and Recreation Insurance

The District is self-insured for comprehensive liability coverage as a member of the California Association for Park and Recreation Insurance (CAPRI). CAPRI is a public agency risk pool created pursuant to a joint powers agreement between the numerous member Districts. CAPRI manages on pool for all member agencies. Each member pays an annual premium to the system based on numerous factors including the number of personnel, types and values of assets held, and an experience factor. CAPRI reinsures through a commercial carrier for claims in excess of \$1,000,000 for each insured event. CAPRI is not a component entity of the District for purposes of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39.

Condensed financial information of CAPRI for the year ended June 30, 2012, is as follows:

Total current assets	\$ 4,664,635
Total noncurrent assets	<u>19,497,824</u>
Total Assets	<u><u>\$ 24,162,459</u></u>
Total Liabilities	\$ 10,767,178
Net Assets	<u>13,395,281</u>
Total liabilities and net assets	<u><u>\$ 24,162,459</u></u>

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Coverage provided under CAPRI is as follows:

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

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

All-risks property loss coverage including Boiler & Machinery coverage, is subject to a \$2,000 deductible per occurrence payable by the District.

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

Theft and employee dishonesty coverage with a limit of \$1,000,000 and a deductible of up to \$15,000 per occurrence.

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITY

(A) Lease agreement on the Skywest Golf Course:

- The District operates the Skywest Golf Course under a lease expiring on September 30, 2019 and pays the City of Hayward a percentage rental based on income from the Skywest Golf Course and Skywest concessions.
- Rent expense under this lease was \$159,995 for the Year ended June 30, 2012.

(B) Lease agreement on the Mission Hills of Hayward Golf Course:

- The District has an existing lease agreement with the City of Hayward to lease property to build the Mission Hills of Hayward Golf Course. The lease is for a period of 25 years, with the option of two consecutive five year extensions. From July 1, 2002 through June 30, 2013, the rent paid by the District is 55% of the net income. From July 1, 2013 through the remainder of the lease and options, the rent by the District is a combination of a fixed rent and a percentage of gross income.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

- The District was scheduled to make \$150,000 in payments on January 1, 2000 and incurred a payment of \$100,000 as of June 30, 1999 for additional land purchase in accordance with the lease. However, the construction of the golf course was behind schedule, thus the payments planned for 2000 have been deferred for one year. Rent payments were scheduled based on the percentage of net income beginning on July 1, 2002.
- For the year ended June 30, 2012, however, no rent payments have been made to the City of Hayward as expenditures have exceeded revenues for the golf course.

NOTE 9: LITIGATION

As of June 30, 2012, the District was not involved in any suits which in the opinion of the District's management would have a significant effect on the financial position of the District.

NOTE 10: INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2012, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 1,015,004	\$ 1,157,608
Capital projects fund	694,402	1,379,502
Nonmajor funds	227,375	
Internal service fund	<u>600,329</u>	
 Total interfund transfers	 \$ <u>2,537,110</u>	 \$ <u>2,537,110</u>

NOTE 11: NET ASSETS AND FUND BALANCES

GASB Statement No. 34 adds the concept of net assets, which is measured on the full accrual basis, to the concept of fund balance, which is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the District's assets over all its liabilities, regardless of fund. Net Assets is divided into three captions under GASB Statement No. 34.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

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

Restricted describes the portion of Net Assets which is restricted by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions which the District cannot unilaterally alter.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balances

Beginning Fiscal year 2010-11, the District implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. GASB 54 provides clearer classification that can be more consistently applied in the governmental funds to enhance the usefulness of fund balance information. The fund balance classifications are primarily based on the extent to which the District is bound to observe constraints imposed upon the use of the resources or on specific purposes for which the funds can be spent. As of June 30, 2012, fund balances in the governmental funds are classified below:

- *Nonspendable Fund Balance* - to reflect the assets (\$122,472) that are in not in spendable from, including inventory.
- *Restricted Fund Balance* - to reflect the amounts (\$231,562) that are subject to externally enforceable legal restrictions. The restrictions are imposed by parties outside the Agency such as creditors through bond debt indenture, grantor, and other governments through laws and regulations. This includes funds held by trustee or fiscal agent for future payments of bond principal and interest (\$231,562)
- *Assigned Fund Balance* - to reflect funds (\$1,049,415) that are to be used by the District for specific purposes that are neither restricted nor committed. This includes funds (\$58,640) for general government and (\$990,775) for capital projects.
- *Unassigned Fund Balance* - to reflect the net resource (\$7,446,751) of the District in excess of what can be properly classified in one of the fund balance categories. This is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

GASB 54 also clarified the definitions for special revenue, debt service and capital projects. The District was not required to reclassify any fund types as a result of the implementation of the standard.

REQUIRED SUPPLEMENTARY INFORMATION

**HAYWARD AREA RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

1. BUDGETARY INFORMATION

A. Budgeting Procedures

The District's budget and budgetary accounting are prepared on the cash basis, except that expenditures are adjusted to included encumbrances. Only revenues actually received and disbursements paid in cash are recorded. No revenues or expenditures are accrued. The annual budget is adopted by a Board of Directors' resolution and is presented in the financial statements. A public hearing on the budget is held in July of each fiscal year. The budget is thereafter approved by the Board of Directors. The General Manager is authorized to transfer budgeted amounts between accounts within any department of any fund provided the approved budget for salaries and benefit services and supplies, as well as equipment in each department is not changed. All other transfers must be approved by the Board of Directors. Budgeted amounts are amended by the Board of Directors.

The District uses encumbrances accounting under which purchase orders, contracts and other commitments for the expenditures of monies are recorded to reserve the portion of the applicable appropriation. Encumbrances outstanding at fiscal year end are reported as reservation of fund balances since they do not constitute expenditures of liabilities. Unexpended appropriations lapse at fiscal year end and must be re-appropriated in the following fiscal year.

**HAYWARD AREA RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

B. Schedule of Revenue, Expenditures, and changes in Fund balance - Budget v/s Actual

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Revised		
REVENUES				
Taxes and assessments	\$ 15,175,000	\$ 15,823,100	\$ 17,102,268	\$ 1,279,168
Interest	50,400	30,200	23,691	(6,509)
Aid from governmental agencies:				
Homeowners' property tax relief			130,670	130,670
Grants		65,136	102,194	37,058
Rents, concessions, and fees	7,406,070	7,693,179	8,142,608	449,429
Other:				
Miscellaneous	417,500	14,600	16,913	2,313
Total revenues	<u>23,048,970</u>	<u>23,626,215</u>	<u>25,518,344</u>	<u>1,892,129</u>
EXPENDITURES				
Current:				
District management:				
Personnel	1,316,456	1,304,435	1,302,910	1,525
Services and supplies	638,250	623,750	613,227	10,523
Recreation:				
Personnel	6,100,029	6,601,346	6,918,742	(317,396)
Services and supplies	1,296,270	1,473,810	1,598,321	(124,511)
Parks:				
Personnel	6,879,788	6,618,508	6,587,938	30,570
Services and supplies	2,632,050	2,857,850	3,302,627	(444,777)
Golf courses:				
Personnel	2,361,228	2,332,171	2,311,174	20,997
Services and supplies	1,153,906	1,094,583	1,028,546	66,037
Capital outlay	157,000	159,997	151,496	8,501
Other Postemployment Benefit (OPEB) Funding	866,806	866,806	866,806	
Total expenditures	<u>23,401,783</u>	<u>23,933,256</u>	<u>24,681,787</u>	<u>(748,531)</u>
Excess of revenues over (under) expenditures	<u>(352,813)</u>	<u>(307,041)</u>	<u>836,557</u>	<u>1,143,598</u>
Other financing sources (uses):				
Transfers in			1,015,004	1,015,004
Issuance of capital lease				
Transfers out	(2,499,649)	(2,154,467)	(1,157,608)	996,859
Total other financing sources (uses)	<u>(2,499,649)</u>	<u>(2,154,467)</u>	<u>(142,604)</u>	<u>2,011,863</u>
Net change in fund balance	(2,852,462)	(2,461,508)	693,953	3,155,461
Add reserve for encumbrance for current year budget			58,640	58,640
Fund balance - July 1, 2011	6,875,270	6,875,270	6,875,270	
Fund balance - June 30, 2012	<u>\$ 4,022,808</u>	<u>\$ 4,413,762</u>	<u>\$ 7,627,863</u>	<u>\$ 3,214,101</u>

**HAYWARD AREA RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

B. Schedule of Revenue, Expenditures, and changes in Fund balance - Budget v/s Actual

GENERAL FUND

Reconciliation of Budget vs GAAP Basis Expenditure

The differences between budgetary expenditures and GAAP expenditures are presented in the following table

Budget basis expenditure	\$ 24,681,787
Encumbrances for current budget year	<u>(58,640)</u>
GAAP basis expenditure	<u>\$ 24,623,147</u>

**HAYWARD AREA RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

2. SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS

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

	(A)	(B)	(C)	(D)	(E)	(F)
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability Excess Assets [(A)-(B)]	Funded Status Ratio [(B)/(A)]	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Covered Payroll {[(A)-(B)/(E)]}
6/30/09	\$50,422,026	\$42,625,709	\$7,796,317	84.5%	\$7,885,511	98.9%
6/30/10	\$52,694,078	\$44,584,515	\$8,109,563	84.6%	\$7,403,447	109.5%
6/30/11	\$56,218,402	\$46,517,874	\$9,700,528	82.7%	\$7,457,024	130.1%

3. SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS

	(A)	(B)	(C)	(D)	(E)	(F)
Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability Excess Assets [(A)-(B)]	Funded Status Ratio [(B)/(A)]	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Covered Payroll {[(A)-(B)/(E)]}
July 1, 2009	\$12,084,969		12,084,969	0%	n/a	n/a
July 1, 2012	\$11,651,741	1,796,244	9,855,497	15.42%	n/a	n/a

**INDEPENDENT AUDITOR’S 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**

The Board of Directors
Hayward Area Recreation and Park District
Hayward, California

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hayward Area Recreation and Park District as of and for the year ended June 30, 2012 which collectively comprise the Hayward Area Recreation and Park District’s basic financial statements and have issued our report thereon dated April 17, 2013. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hayward Area Recreation and Park District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hayward Area Recreation and Park District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hayward Area Recreation and Park District’s internal control over financial reporting.

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 12-1 to 12-5 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Hayward Area Recreation and Park 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*.

Hayward Area Recreation and Park District's response to the findings in our audit are described in the accompanying schedule of findings and responses. We did not Hayward Area Recreation and Park District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization and the State Controller's office, and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in dark ink. The signature consists of the letters 'RS' followed by the word 'Associates'. The 'RS' is written in a stylized, cursive font, and 'Associates' is written in a more legible, cursive script.

San Ramon, California
April 17, 2013

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

Finding 12-1:

Accounts receivable

Criteria or specific requirement

There should be a system in place to track and record all revenues earned. The district should adopt availability period for revenue recognition for governmental funds.

Condition:

During our audit we noted that there were instances where revenues were not recorded as receivables even though they were earned. Grant income and other income were not accrued even though they were earned. In addition, the District does not have a policy for availability period for recognizing revenue for government funds.

Questioned Cost

None noted.

Effect:

Revenue and assets may not be correctly stated.

Cause

Presently the district does not have a system to record accounts receivable. Program revenue is recorded based on income tally. Grant billing is done by the program department. The accounting department recognizes the revenue based on information from the various departments.

Recommendation:

We recommend that the district recognize the revenue when it is earned. They should also adopt availability period for governmental funds. The district should maintain a spreadsheet giving all grants, expenses incurred and the amounts billed for each grant. This will help in accounting for revenue.

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

Views of responsible officials and planned corrective actions:

Starting fiscal year 2012, the process of recording Accounts Receivable with a 90 days collectible timeframe has been implemented to ensure grant revenue is correctly recorded in the General Ledger. We also accrued at year-end grant revenue earned but not yet billed.

Going forward, an additional schedule showing expenditures, money received and revenue to be accrued at year-end for all capital projects or programs which receive operating grants will be provided by the grant manager/program manager as of June 30 each year for audit purposes.

Finding 12-2:

Policies and Procedures

Criteria or specific requirement

The district's accounting policy and procedure documentations should be updated on a regular basis.

Condition:

During our audit we noted that the District's policies and procedures for travel and other items are out of date in view of changes in the system and personnel.

Questioned Cost

None noted.

Effect:

Out of date policy and procedure documentations may create confusion and ultimately inefficiencies in the work place.

Cause

The policies and procedures of the district have not been updated due to lack of personnel.

Recommendation:

We recommend that the District's policies and procedures be updated and enforced.

Views of responsible officials and planned corrective actions:

In Fiscal Year 2013, the General Manager will work on out-of-date District policies and procedure as well as adding new ones to reflect District's current business practices.

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

Finding 12-3:

Payroll

Criteria or specific requirement

Payroll reports received from the payroll company should be reviewed for accuracy.

Condition:

During our audit we were informed that the payroll reports received from the payroll company is not reviewed by the accounting department.

Questioned Cost

None noted.

Effect:

Payroll may be incorrectly processed.

Cause

Presently the payroll reports received from the payroll company are not reviewed by the accounting department. Payroll of the district is complicated and is dependent on various factors hence it is important that it be checked and reviewed by a person independent of processing the payroll.

Recommendation:

We recommend payroll information received from the payroll company be reviewed for accuracy. We also recommend that the payroll process be documented in detail so that it provides a good guide for staff processing the payroll.

Views of responsible officials and planned corrective actions:

Payroll procedure will be documented in steps by the Payroll Account Clerk III in Fiscal Year 2013.

Employee record maintenance, timesheet processing, payroll calculation and preparation, payroll disbursement, and payroll bank account reconciliation will be handled by different people as much as possible with current staffing to ensure internal control of the payroll process, payroll data integrity, and the segregation of duties. The majority of payroll disbursements will be done by Ceridian and Accounts Payable with the Payroll Account Clerk III's request and the General Manager's authorization.

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2012**

Payroll data entered from timesheets to the Ceridian system will be double-checked by the second person performing the data entry before General Manager's approval and transmitting the data out for processing. Payroll data returning from Ceridian will be reviewed randomly by the District Accountant or other employee assigned by the General Manager, especially those with changes in rate or timesheet reporting against supporting documents and cross reference.

Lack of supervisors' attention to timesheets prepared by employees working on multiple programs caused timesheet recording errors to occur in the past. This problem will be addressed by the General Manager to other department heads. Appropriate mechanism and action will be taken to eliminate future occurrences.

Finding 12-4:

Program Income

Criteria or specific requirement

The district's accounting policy and procedure documentations should be updated on a regular basis.

Condition:

During our audit we noted that the District's cash handling and revenue recording policies and procedures are out of date in view of changes in the system and personnel.

Questioned Cost

None noted.

Effect:

Out of date policy and procedure documentations may create confusion and ultimately inefficiencies in the work place.

Cause

We were informed that the updating of District's cash handling policy is in progress.

Recommendation:

We recommend that the District's cash handling policies and procedures be updated and enforced.

Views of responsible officials and planned corrective actions:

The District's revised and up-to-date Cash Handling Policy and Procedure will be finalized and enforced in Fiscal Year 2013.

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2012**

Finding 12-5:

Benefit Payments

Criteria or specific requirement:

Benefit payments should be paid and accounted correctly.

Condition:

During our testing of benefits, we had difficulty matching the vendor invoice with the payments made. A single invoice is paid partly by payroll and partly by accounting department.

Questioned Cost

None noted.

Effect:

Payments made from two departments may lead to confusion.

Cause:

The employee portion of the payments is made by payroll department and the employer portion by accounting.

Recommendation:

We recommend that vendor invoice be made by a single check.

Views of responsible officials and planned corrective actions:

This problem will be resolved by the implementation of changes to the current payroll process. Going forward, Accounting will make one payment to a payroll/benefit invoice for both the employer and the employee portions.

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2012**

Findings:

Status:

Finding 11-1

Revenues are not recorded as receivables even though they were earned. Grant income and other income were not accrued even though they were earned. In addition the district does not have a policy for availability period for recognizing governmental funds.

Not implemented. See findings 12-1.

Finding 11-2

The District's Cash and Revenue Recording Policies and Procedures are out-of-date in view of changes in the system and personnel. The most recent policy and procedure or directive for the Cash Handling and Income Tally Reporting was dated 1995.

Not implemented. See findings 12-4

Finding 11-3

Payroll reports received from the payroll company was not reviewed by the accounting department. Payroll of the district is complicated and is dependent on various factors. There is no verification of payroll data entered before the data is transmitted to the outsourced P/R processing company.

Not implemented. See findings 12-3