

NEW ISSUE - BOOK ENTRY ONLY

RATINGS: S&P: "AA"
(See "RATINGS" herein)

In the opinion of Nossaman LLP, Irvine, California, Special Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest with respect to the Certificates is excludable from gross income for federal income tax purposes. Interest with respect to the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Special Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Special Counsel, interest with respect to the Certificates is, under existing law, exempt from State of California personal income taxes. Special Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates.

\$17,000,000*

**HAYWARD AREA RECREATION AND PARK DISTRICT
CERTIFICATES OF PARTICIPATION
SERIES 2014**

**Evidencing Proportionate Undivided Interests in
Lease Payments**

Dated: Date of Delivery

Due: January 1, as shown on the inside cover

The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchasers will not receive certificates representing their interest in the Certificates. Individual purchases of the Certificates will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest payable with respect to the Certificates will be payable on January 1 and July 1 of each year, commencing January 1, 2015 (the "Payment Dates"), and principal payable with respect to the Certificates will be paid on the dates set forth in the Maturity Schedule set forth on the inside cover hereof. Payments of principal of and interest with respect to the Certificates will be paid by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The Certificates are being sold, executed and delivered (i) to provide funds to the Hayward Area Recreation and Park District (the "District") to finance the acquisition of certain real property and improvements owned by the District, (ii) to refinance the District's obligations with respect to the CSDA Finance Corporation Certificates of Participation (California Special Districts Finance Program) 1998 Series HH, originally delivered in the principal amount of \$2,855,000, of which \$815,000 remains outstanding, (iii) to fund, in whole or in part, a Reserve Fund for the Certificates, and (iv) to pay certain costs of executing and delivering the Certificates.

The Certificates are subject to optional and mandatory prepayment prior to maturity as described herein. See "THE CERTIFICATES" herein.

The Certificates evidence and represent proportionate undivided interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by the District for the right to the use of certain real property and improvements (the "Site") pursuant to that certain Lease Agreement, dated as of April 1, 2014 (the "Lease Agreement"), by and between the District, as lessee, and the CSDA Finance Corporation (the "Corporation"), as lessor. The District is required under the Lease Agreement to make Lease Payments in each fiscal year in consideration of the use and possession of the Site from any source of legally available funds, including certain funds held under the Trust Agreement (defined herein), and insurance or condemnation awards, subject to abatement, as described herein. See "SECURITY FOR THE CERTIFICATES" and "RISK FACTORS" herein.

The District has applied for a policy of municipal bond insurance to insure the payment of the principal and interest evidenced and represented by the Certificates when due, but no commitment to issue such a policy has been issued as of the date of the Preliminary Official Statement. Furthermore, there can be no assurance that, if the District did receive such a commitment for insurance, it would be cost effective or accepted by the District.

This cover page contains information for general reference only. It is not a summary of the security or terms of this issue. Investors must read the entire Official Statement, including the section entitled "RISK FACTORS", for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Certificates. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

THE DISTRICT'S OBLIGATION TO MAKE LEASE PAYMENTS IS AN OBLIGATION PAYABLE FROM THE DISTRICT'S GENERAL FUND OR ANY OTHER SOURCE OF FUNDS LEGALLY AVAILABLE TO THE DISTRICT TO MAKE LEASE PAYMENTS AND IS SUBJECT TO ABATEMENT UNDER CERTAIN CIRCUMSTANCES. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION OR ANY OBLIGATION FOR WHICH THE DISTRICT OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The Certificates are offered when, as and if sold, executed and delivered, subject to the approval as to their legality by Nossaman LLP, Irvine, California, Special Counsel. Certain legal matters will be passed upon for the District by its general counsel. Nossaman LLP, Irvine, California, also serves as Disclosure Counsel. It is anticipated that the Certificates in book-entry form, will be available for delivery through the facilities of DTC on or about April ____, 2014.

PRAGER & CO., LLC

Date: April __, 2014

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification or filing under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

\$_____ Serial Certificates

<u>Maturity Date</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP®</u>
--	-----------------------------------	--------------------------------	--------------	---------------

\$_____ % Term Certificates Due January 1, 20__, Yield: _____ % (CUSIP®: _____)

* *Preliminary, subject to change.*

® A registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Services Bureau, a division of The McGraw-Hill Companies, Inc. The District and the Underwriter do not assume any responsibility for the accuracy of CUSIP data.

HAYWARD AREA RECREATION AND PARK DISTRICT

BOARD OF DIRECTORS

Carol A. Pereira	President
Paul W. Hodges, Jr.	Vice-President
Minane Jameson	Secretary
Louis M. Andrade	Director
Dennis M. Waespi	Director

DISTRICT STAFF

John Gouveia, General Manager

SPECIAL SERVICES

Special Counsel/Disclosure Counsel

Nossaman LLP
Irvine, California

Trustee/Escrow Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation, the District or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation, the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes. The information and expression of opinions contained in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create any implication that there have not been changes in the affairs of the District since the date of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement (including the appendices hereto) contains certain forward-looking statements (collectively, the "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, are Forward-Looking Statements. Although the District and the Corporation believe that the expectations reflected in such Forward-Looking Statements are reasonable, no one can be given assurance that such statements will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the District and the Corporation (collectively, the "Cautionary Statements") are disclosed in this Official Statement. All Forward-Looking Statements attributable to the District and the Corporation are expressly qualified in their entirety by the Cautionary Statements.

The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
The District	1
Authority for the Certificates	1
Purpose	1
Security for the Certificates	2
Abatement	2
Additional Obligations	2
Prepayment	3
Assignment	3
Application for Insurance	3
Limited Obligations	3
Summaries Not Definitive	3
CONTINUING DISCLOSURE	4
THE FINANCING PLAN	4
THE SITE	6
Release of Property; Substitution	6
ESTIMATED SOURCES AND USES OF FUNDS	6
THE CERTIFICATES	7
General	7
Transfer and Exchange of Certificates	7
Prepayment of the Certificates	8
Book-Entry System	9
SCHEDULE OF LEASE PAYMENTS	10
SECURITY FOR THE CERTIFICATES	10
General	10
Reserve Fund	11
Appropriation; Use of Site	11
Abatement	12
Assignment; Recourse on Default	12
Insurance	13
Lease Payments	13
Additional Payments	13
Application for Insurance	14
RISK FACTORS	14
Reductions in Revenues	14
No Tax Pledge	14
Abatement and Eminent Domain	14
Restrictions on Use of Revenues	15
Appropriation	15
No Limit on Additional Debt	15
Limitation on Enforcement of Remedies; No Acceleration	16
Loss of Tax Exemption	16
Geologic, Topographic and Climatic Conditions	16
Hazardous Substances	17
Limitations on Remedies Available; Bankruptcy	17
Constitutional Limit on Appropriations, Fees and Charges	18
Proposition 218	18
Proposition 1A	18
Proposition 22	19

Proposition 26	19
Risk of Uninsured Loss	20
Impact of State Budget.....	20
Substitution and Removal of Property	21
Secondary Market Risk	21
Early Prepayment of Premium Certificates	21
IRS Audit of Tax-Exempt Issues.....	22
Future Initiatives	22
THE DISTRICT	22
General	22
General Fund	23
Budgetary Process	23
Labor Relations	23
Assessed Valuation	24
Historic Secured Property Tax.....	24
Teeter Plan.....	26
Summary of Revenues and Expenditures	26
District Budget.....	29
General Fund Reserves	31
District Investment Policy	31
Insurance	32
Retirement Plan.....	32
Pension Reform Act of 2013.....	33
Other Post-Retirement Benefits.....	34
Outstanding Debt	35
Direct and Overlapping Debt	36
THE CORPORATION	37
UNDERWRITING	38
PROFESSIONAL FEES.....	38
LEGAL OPINIONS.....	38
TAX MATTERS.....	38
LITIGATION.....	41
FINANCIAL STATEMENTS	41
RATINGS.....	41
MISCELLANEOUS.....	42
APPENDIX A -- SUMMARY OF PRINCIPAL LEGAL DOCUMENTS	A-1
APPENDIX B -- ALAMEDA COUNTY GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION	B-1
APPENDIX C -- AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2012/13.....	C-1
APPENDIX D -- PROPOSED FORM OF FINAL OPINION	D-1
APPENDIX E -- FORM OF CONTINUING DISCLOSURE AGREEMENT	E-1
APPENDIX F -- THE DEPOSITORY TRUST COMPANY.....	F-1

\$17,000,000*
HAYWARD AREA RECREATION AND PARK DISTRICT
CERTIFICATES OF PARTICIPATION
SERIES 2014
Evidencing Proportionate Undivided Interests in
Lease Payments

INTRODUCTION

General

The purpose of this Official Statement (which includes the cover page and the Appendices attached hereto) is to provide information concerning the sale and delivery of the Hayward Area Recreation and Park District Certificates of Participation, Series 2014 (the "Certificates"), in the aggregate principal amount of \$17,000,000*, evidencing proportionate interests of the registered owners thereof in certain Lease Payments (described herein) to be made by the Hayward Area Recreation and Park District (the "District") to the CSDA Finance Corporation (the "Corporation" or "CSDA").

The District

The District was formed on December 11, 1944 as a result of a voters' initiative under Section 5500 *et seq.* of the California Public Resources Code. The District provides parks and recreation facilities and services for the incorporated and unincorporated areas under its jurisdiction. The District serves the City of Hayward ("Hayward") and the adjoining communities of Castro Valley, San Lorenzo, Cherryland, Fairview and Ashland and is located in Alameda County (the "County"). Fifty-five percent of the District lies within the boundaries of Hayward. For other selected information concerning the District, see "THE DISTRICT" herein and "APPENDIX B - ALAMEDA COUNTY GENERAL ECONOMIC AND FINANCIAL INFORMATION" hereto.

Authority for the Certificates

The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of April 1, 2014 (the "Trust Agreement"), among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Purpose

The proceeds of the sale of the Certificates will be used, together with other available moneys, (i) to provide funds to the District to finance the acquisition of certain real property and construct improvements on property owned by the District, (ii) to refinance the District's obligations with respect to the CSDA Finance Corporation Certificates of Participation (California Special Districts Finance Program) 1998 Series HH, originally delivered in the principal amount of \$2,855,000 (the "1998 Certificates"), of which \$815,000 remains outstanding, (iii) to fund, in whole or in part, a Reserve Fund for the Certificates, and (iv) to pay

* *Preliminary, subject to change.*

certain costs of executing and delivering the Certificates. See "THE FINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The proceeds of the 1998 Certificates were used by the District to finance the construction of a nine-hole executive golf course.

Security for the Certificates

The Certificates evidence and represent undivided fractional interests of the registered owners (the "Owners") thereof in Lease Payments (as defined herein) to be made by the District to the Corporation for the right to use the real property being purchased by the District from East Bay Municipal Water District and certain other real property and the improvements thereon (collectively, the "Site") with a portion of the proceeds of the Certificates. The Site will be leased by the District from the Corporation pursuant to a Lease Agreement, dated as of April 1, 2014 (the "Lease Agreement"), between the District, as lessee, and the Corporation, as lessor. In order to facilitate the conveyance accomplished by the Lease Agreement, the District has leased the Site to the Corporation pursuant to a Site Lease, dated as of April 1, 2014 (the "Site Lease"). See "THE FINANCING PLAN" and "THE SITE" herein.

In accordance with the Lease Agreement, the District is required to pay to the Trustee specified Lease Payments for the Site which are designed to be sufficient, in both time and amount, to pay, when due, the principal and interest with respect to the Certificates due on July 1 and January 1 of each year, commencing January 1, 2015. The District is also required to pay any taxes, assessment charges, utility charges, and maintenance and repair costs of the Site. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein.

The District has covenanted in the Lease Agreement to take such action as may be necessary to include all such total Lease Payments in its annual budgets. The District has further covenanted to make the necessary annual appropriations for all such Lease Payments, subject to abatement, as described herein. and said covenants have been deemed to be ministerial duties imposed by law, subject to abatement (see "THE DISTRICT – Sources of Funds" herein). Additionally, the District has covenanted to maintain, or cause to be maintained, insurance on the Site. See "SECURITY FOR THE CERTIFICATES -- Insurance" herein.

Abatement

Except to the extent of amounts on deposit in the Payment Account and the Reserve Fund, or otherwise available from an insurance or eminent domain award, the Lease Payments due under the Lease Agreement and, correspondingly, the amount available to pay the principal of and interest with respect to the Certificates, will be subject to abatement during any period in which, by reason of damage or destruction or eminent domain, there is substantial interference with the use and possession by the District of the Site. See "RISK FACTORS -- Abatement and Eminent Domain" herein. Amounts on deposit in the Payment Fund and the Reserve Fund constitute a special fund for payment of Lease Payments, and shall be available for such Lease Payments in the event there is substantial interference with the use and possession of the Site.

Additional Obligations

The District has the right to incur other obligations payable from its general revenues without the consent of the Owners of the Certificates. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Prepayment

The Certificates are subject to optional and mandatory prepayment as described herein.

Assignment

Pursuant to an Assignment Agreement, dated as of April 1, 2014 (the "Assignment Agreement"), the Corporation has assigned to the Trustee for the benefit of the Owners of the Certificates (i) its right to receive Lease Payments from the District under the Lease Agreement, (ii) its rights under the Lease Agreement (except for the Corporation's rights to indemnification and payment or reimbursement of its reasonable costs and expenses) and (iii) without any further act on the part of the Corporation, any and all of the other rights of the Corporation under the Lease Agreement as may be necessary to enforce payments of Lease Payments when due and otherwise to protect the interests of the Owners.

Application for Insurance

The District has applied for a policy of municipal bond insurance to insure the payment of the principal and interest evidenced and represented by the Certificates when due, but no commitment to issue such a policy has been issued as of the date of the Preliminary Official Statement. Furthermore, there can be no assurance that, if the District did receive such a commitment for insurance, it would be cost effective or accepted by the District

Limited Obligations

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS IS AN OBLIGATION PAYABLE EACH YEAR FROM THE DISTRICT'S GENERAL FUND OR ANY SOURCE OF FUNDS LEGALLY AVAILABLE FOR THE PAYMENT OF LEASE PAYMENTS, BUT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION OR RESTRICTION, OR AN OBLIGATION FOR WHICH THE DISTRICT OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Summaries Not Definitive

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for summaries of certain of such definitions.

Copies of the documents described herein will be available at the office of the Corporation, 1112 I Street, Ste. 200, Sacramento, CA 95814, and the office of the District, 1099 E Street, Hayward, CA 94541.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months after the end of the District's Fiscal Year (presently June 30) in each year commencing with its report for the 2013/14 Fiscal Year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The District Annual Report and notices of material events will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the District is contained in "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT." Failure of the District to provide the required ongoing information may have a negative impact on the value of the Certificates in the secondary market. Within the past five years, the District failed to file certain portions of the annual reports, including its audited financials, and certain material events relating to downgrades, including downgrades of bond insurers, on certain prior obligations, as required by its continuing disclosure obligations. As of the date of this Official Statement, the District has made corrective filings as a best effort to come into compliance with Rule 15c2-12(b)(5), and is now current on all filings.

THE FINANCING PLAN

The District is delivering the Certificates primarily to provide moneys necessary to finance the following:

- The acquisition of certain real property (the "EBMUD Property") from the East Bay Municipal Utility District ("EBMUD") pursuant to an Agreement for the Sale of Real Property, dated December 17, 2013, by and between the District and EBMUD (the "Sale Agreement"). The EBMUD Property consists of approximately 24 acres and is located in the unincorporated area of the County. Pursuant to the Sale Agreement, the District is purchasing the EBMUD Property for \$5,600,000 and plans to close escrow on the EBMUD Property by April 30, 2014. The EBMUD Property is surrounded by single family residential uses and has a general plan designation of Hillside Residential and Open Space Parks. The District intends to use the EBMUD Property for a future park site. Following acquisition of the EBMUD Property, the District intends to develop a park Master Plan for the site, which is the first step toward park development. The Master Plan is expected to cost approximately \$125,000 and should be completed by the end of 2015.
- The development of Phase I of San Lorenzo Community Park. San Lorenzo Community Park is a 31 acre park located in San Lorenzo. San Lorenzo Community Park currently consists of a community center, office space, 3 softball fields, 4-5 soccer fields, basketball courts and a pond. The District expects to completely redesign and improve San Lorenzo Community Park to include a newly designed and relocated softball complex, soccer complex, pond, dog park, community green with a bandstand, an active play zone, walking paths and children's play areas, plus three new outdoor disability-compliant restrooms and 100 additional parking spaces. Phase I improvements include existing pond demolition, construction of the pond area, active play zone and softball complex.

The District expects to complete these improvements by February 2016. The current estimated costs for the Phase I improvements are \$8,000,000.

- The design of plans and specifications for Kennedy Park. Kennedy Park is a 13.3 acre park located in the City of Hayward. The District expects to make improvements to Kennedy Park consisting of a new maintenance yard, improved parking, a redesigned animal petting zoo and rides, a bandstand, clock tower, upgraded picnic areas, birthday gazebos, and children's play areas. The current estimated costs for the plans and specifications are expected to be approximately \$750,000 and are expected to be completed by June 30, 2015.
- The development of Fairmont Terrace Park. Fairmont Terrace Park is currently a 1.67 acre park located in the city of San Leandro. The District expects to add an additional 3 acres to Fairmont Terrace Park and to construct walking paths, picnic areas and fencing. Phase I improvements to Fairmont Terrace Park are expected to be completed by mid-2015 and are currently expected to cost \$250,000.

The District is also delivering the Certificates to provide moneys necessary to currently prepay and defease the 1998 Certificates in whole. A portion of the proceeds of the Certificates, along with certain funds with respect to the 1998 Certificates, will be transferred to The Bank of New York Mellon Trust Company, N.A., the trustee for the 1998 Certificates (the Prior Trustee"). Proceeds deposited with the Prior Trustee will be used by the Prior Trustee to pay the prepayment price of the 1998 Certificates, plus accrued interest, on April __, 2014. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. Upon deposit of such proceeds and other moneys with the Prior Trustee, the 1998 Certificates will no longer be deemed outstanding.

The moneys and securities held by the Prior Trustee are pledged to the payment of the 1998 Certificates, and are not available to pay principal of or interest with respect to the Certificates.

A portion of the proceeds of the Certificates will also fund, in whole or in part, a Reserve Fund for the Certificates and to pay certain costs of executing and delivering the Certificates.

THE SITE

The Site consists of the EBMUD Property and the San Lorenzo Community Park described under "THE FINANCING PLAN" above. The current value of the Site is approximately between \$16.3 million and \$19.3 million, based upon (i) an appraisal of the EBMUD Property with a date of value of June 27, 2013, (ii) current replacement value of the San Lorenzo Community Park, with regard to the value of land, and (iii) the existing improvements to the San Lorenzo Community Park.

Release of Property; Substitution

Under the Lease Agreement, the District may substitute other property for the Site as the subject of the Lease Agreement, provided certain conditions set forth in the Lease Agreement are met, including that the fair market value of the property or portion thereof to be substituted, together with cash to be paid by the District to the Trustee, if any, is at least equal to the lesser of the fair market value of the property or portion thereof to be released or 125% of the Principal Amount of Lease Payments and that the disposition of the property or portion thereof to be released and the substitution therefore of the real property to be substituted for such property or portion thereof to be released, if any, will not materially adversely affect the governmental functions of the District or its ability to fulfill its obligations under this Lease Agreement. The release of any property or portion thereof shall not entitle the District to any postponement, abatement or diminution of the Lease Payments or other payments required to be made under the Lease Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Certificates and amounts relating to the 1998 Certificates are anticipated to be applied as follows:

SOURCES:

Principal Amount of Certificates	\$
Amounts Relating to 1998 Certificates	
Net Original Issue [Discount] [Premium]	
TOTAL SOURCES	

USES:

Project Fund ⁽¹⁾
Escrow Fund ⁽¹⁾
Reserve Fund
Delivery Cost Account ⁽²⁾
TOTAL USES:

(1) See "THE FINANCING PLAN" above.

(2) Includes fees of Special Counsel, Disclosure Counsel and Trustee, Underwriter's discount and other costs of executing and delivering the Certificates.

THE CERTIFICATES

General

The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in denominations of \$5,000 or any integral multiple thereof, and shall be dated the Closing Date. The Certificates will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Certificates, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM." Purchasers will not receive physical certificates representing their interest in the Certificates. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent distribution to DTC Participants (as defined herein), who will remit such payments to the beneficial owners of the Certificates.

Interest with respect to the Certificates will be payable to the registered owners of the Certificates on January 1, 2015, and each July 1 and January 1 thereafter (each a "Payment Date"). Interest evidenced and represented by the Certificates (based on a 360-day year of twelve 30-day months) is payable on the Payment Dates by check mailed via first class mail on the Payment Date by the Trustee to the respective Owners thereof as of the Record Date at their addresses as they appear in the books required to be kept by the Trustee or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000 in principal amount, received on or prior to the fifteenth day of the month preceding an applicable Payment Date, by wire in Federal Reserve Funds on the Payment Date, with regard to which such payment is made.

As long as Cede & Co. is the registered owner of the Certificates, payments of the principal of, premium, if any, and interest on the Certificates will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described in the description of the "Book-Entry System" below. The principal evidenced and represented by the Certificates shall be payable on January 1 in each of the years and in the principal amounts shown on the cover hereof, or on prepayment prior thereto, upon surrender thereof at the principal corporate trust office of the Trustee in Los Angeles, California.

Transfer and Exchange of Certificates

So long as Cede & Co. is the registered owner of the Certificates, transfer or exchange of Certificates may only be through the facilities of DTC. See "APPENDIX F - BOOK-ENTRY SYSTEM" with respect to DTC procedures for transfer and exchange of ownership interests in the Certificates. In the event that either (i) DTC determines not to continue to act as Depository for the Certificates, or (ii) the Corporation determines to terminate the Depository as such, then the Corporation shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository will cooperate with the Corporation and the Trustee in the execution and delivery of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be issued. If, prior to the termination of the Depository acting as such, the Corporation fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be required to be reregistered in the Certificate

Register in the name of the Nominee, but shall be reregistered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of the Trust Agreement.

Prepayment of the Certificates*

Optional Prepayment. The Certificates maturing on or before January 1, 20____ shall not be subject to optional prepayment. The Certificates maturing on or after January 1, 20____ are subject to prepayment, in whole or in part in any integral multiple of \$5,000 (but not in a total principal prepayment amount of less than \$20,000), at the option of the District on any date on or after January 1, 20____, from any available source of funds, at the prepayment price equal to the principal amount of the Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

Mandatory Sinking Account Prepayment. Certificates maturing on January 1, 20____ (the "20____ Term Certificates") shall also be subject to mandatory prepayment in whole, or in part by lot, on January 1 in each year commencing January 1, 20____, from Lease Payments made by the District pursuant to the Lease Agreement, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on January 1 in the respective years as set forth in the following table:

20____ Term Certificates	
Prepayment Date (<u>January 1</u>)	Principal <u>Amount</u>
	\$

In lieu of prepayment thereof the Term Certificates may be purchased by the District and tendered to the Trustee. If some but not all of such Term Certificates have been prepaid pursuant to optional prepayment or due to a casualty loss or governmental taking of the Site or portions thereof, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Certificates so prepaid, to be allocated among such Term Certificates on a pro rata basis in integral multiples of \$5,000, as determined by the District.

Extraordinary Casualty Prepayment. The Certificates are subject to extraordinary prepayment on the earliest possible date, upon notice as provided in the Trust Agreement, in whole or in part, from funds received by the District due to a casualty loss or governmental taking of the Site or portions thereof, under the circumstances and upon the conditions and terms prescribed herein and in the Lease Agreement, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment, without premium.

* *Preliminary, subject to change.*

Selection of Certificates for Prepayment. Whenever provision is made for the prepayment of Certificates, and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment from the Outstanding Certificates not previously called for prepayment, in all cases (other than mandatory sinking fund prepayment), among maturities in integral multiples of \$5,000 as determined by the District, and by lot within a maturity.

Notice of Prepayment. *So long as Cede & Co. is the registered owner of the Certificates, notice of prepayment will only be sent to DTC, as nominee of Cede & Co. See "APPENDIX F - BOOK-ENTRY SYSTEM" with respect to DTC procedures regarding notice of prepayment.* When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice at the expense of the District, of the prepayment of the Certificates. At least thirty (30) but not more than forty-five (45) days prior to the prepayment date, and in the case of an optional prepayment, provided that the Trustee has received the funds necessary for such prepayment, the Trustee shall cause Prepayment Notices to be given to the respective owners of Certificates designated for prepayment by first class mail, postage prepaid, at their addresses appearing on the Certificate register maintained by the Trustee. Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

Effect of Prepayment. After notice has been given and the moneys for the prepayment, including interest to the applicable prepayment date, have been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on the designated prepayment date, and, upon presentation and surrender thereof as specified in the notice, such Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

Purchase in Lieu of Prepayment. Any amounts which would otherwise be used for the purpose of paying the principal of and premium (if any) with respect to Certificates by optional or mandatory prepayment, may, at any time prior to giving notice of prepayment of any such Certificate and at the direction of the District or the Corporation, be applied to the purchase of Certificates at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Payment Account) as shall be directed by the Corporation or the District.

Rescission. The District has the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The District and the Trustee have no liability to the Owners of the Certificates or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Book-Entry System

DTC will act as Securities Depository for the Certificates. The Certificates will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

The Corporation, the District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Corporation, the District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

SCHEDULE OF LEASE PAYMENTS

The following are the annual payments of principal and interest relating to the Certificates.

<u>Date</u> <u>(January 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
	\$	\$	\$

TOTALS

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences and represents an undivided fractional interest in the principal component of the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from the Closing Date to its payment date or prepayment date, as the case may be. The Corporation, pursuant to the Trust Agreement and the Assignment Agreement, has assigned its rights and remedies under the Lease Agreement to the Trustee for the benefit of the Owners of the Certificates, including its right to receive Lease Payments thereunder. Principal of and interest with respect to the Certificates will be made from the Lease Payments for the use and possession of the Site, insurance or condemnation Net Proceeds pertaining to the Site to the extent that such Net Proceeds are not used for repair or replacement, amounts on deposit in the Payment Account held by the Trustee, interest or other income derived from the investment of the funds and accounts held by the Trustee for the District pursuant to the Trust Agreement, or in certain

instances, from the Reserve Fund established by the Trust Agreement. The Trustee will not have any obligation or liability to the Owners to make payments of principal, premium, if any, or interest with respect to the Certificates from any other source.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the District has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such Lease Payments, subject to abatement. See "THE DISTRICT – Sources of Funds" herein. Under California law, the obligation of the District to make Lease Payments is contingent upon the availability of the Site for use and occupancy by the District. See "Abatement" below. The District may become liable on other obligations payable from general revenues, as set forth in "Additional Obligations" below.

Reserve Fund

A reserve fund (the "Reserve Fund") is established pursuant to the Trust Agreement and will be held by the Trustee in trust for the benefit of the Owners of the Certificates. The Reserve Fund is initially established in the form of the deposit of a portion of Certificate proceeds (see "ESTIMATED SOURCES AND USES OF FUNDS" above). Moneys in the Reserve Fund will at all times be in the amount of the Reserve Requirement, which is defined to be, as of the date of calculation, an amount equal to the lesser of (i) ten percent (10%) of the original Principal Amount of the Certificates; (ii) 125% of average annual Lease Payments, or (iii) maximum annual Lease Payments.

If on any Payment Date the moneys available in the Payment Account do not equal the amount of the principal and interest and prepayment premiums (if any) represented by the Certificates then coming due and payable, the Trustee will apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the District by transferring the amount necessary for this purpose to the Payment Account. Upon receipt of any delinquent Lease Payment or portion thereof with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment or portion thereof shall be deposited in the Reserve Fund to the extent of such advance.

In lieu of making the Reserve Fund deposit on the Closing Date, or in replacement of moneys then on deposit in the Reserve Fund, the District, without the consent of the Owners, may deliver to the Trustee an irrevocable letter of credit, insurance policy or surety bond in an amount, together with moneys, or surety bonds or insurance policies on deposit in the Reserve Fund, equal to the Reserve Requirement, as more fully described in "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- Trust Agreement" hereto.

In addition, moneys on deposit in the Reserve Fund will be applied for the final payment on the Certificates.

Appropriation; Use of Site

The District has covenanted to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its proposed annual budgets and its final adopted annual budgets and to make the necessary appropriations for such Lease Payments. The foregoing covenants on the part of the District shall be deemed to be and shall

be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official to the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform its covenants and agreements in the Lease Agreement.

Abatement

Except to the extent that proceeds of the type described in the following paragraph are available, the amount of Lease Payments shall be abated during any period in which there is substantial interference with the use or possession of all or a portion of the Site by the District by condemnation, damage, destruction or title defect. The amount of such abatement shall be such that the resulting Lease Payments, exclusive of the amounts described in the following paragraph, do not exceed the fair rental value for the use and possession of the portion of the Site for which no substantial interference has occurred. Such abatement shall continue for the period of the substantial interference with the use or possession of the Site. Except as provided in the Lease Agreement, in the event of any such interference with use or possession, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such interference.

Notwithstanding a substantial interference with the use or possession of all or a portion of the Site, the District shall remain obligated to make Lease Payments (i) in an amount not to exceed the fair rental value during each Fiscal Year for the portion of the Site not damaged, destroyed, interfered with or taken; (ii) to the extent that moneys derived from any source as a result of any delay in the reconstruction, replacement or repair of the Site, or any portion thereof, are available to pay the amount which would otherwise be abated; or (iii) to the extent that moneys are available in the Payment Account or the Reserve Fund to pay the amount which would otherwise be abated, in which event the Lease Payments shall be payable from such amounts as an obligation of the District payable from a special fund.

Notwithstanding these efforts, the moneys legally available to the Trustee following the occurrence of an event which gives rise to an abatement of Lease Payments, including moneys from the Reserve Fund or proceeds of rental interruption insurance, if any, may not be sufficient to pay principal of and interest with respect to the Certificates in the amounts and at the rates set forth thereon. In such event, all Owners would forfeit interest attributable to abated Lease Payments payable during the period of abatement and, to the extent Certificates mature or are to be subject to mandatory prepayment during a period of abatement, the Owners would forfeit principal attributable to such abated Lease Payments. **The failure to make such payments of principal and interest with respect to the Certificates would not under such circumstances constitute a default under the Trust Agreement, the Lease Agreement or the Certificates.**

Assignment; Recourse on Default

Pursuant to the Assignment Agreement, the Corporation will assign to the Trustee for the benefit of the Owners of the Certificates its rights and remedies under the Lease Agreement, including its rights to receive amounts payable by the District under the Lease Agreement.

Should the District default under the Lease Agreement, the Trustee, as assignee of the Corporation, may exercise any and all remedies authorized by law or granted pursuant to the Lease Agreement. The Lease Agreement expressly authorizes the Trustee, as assignee of the

Corporation, to reenter the Site for the purpose of removing persons and personal property and of reletting the Site and, at its option, to terminate the Lease Agreement. In the event the Trustee, as assignee of the Corporation, does not elect to terminate the Lease Agreement, it may enforce the Lease Agreement and hold the District liable for all Lease Payments and the performance of all conditions under the Lease Agreement. Any re-entry and re-letting will not effect a surrender of the Lease Agreement. The District, in the event of default, waives all rights to any rentals received by the Trustee through re-letting of the Lease Agreement. The District agrees to pay any and all costs, loss or damage, howsoever occurring, as a result of any re-entry or re-letting. See "RISK FACTORS -- Bankruptcy"; "-- Limitation as Enforcement of Remedies."

The District may not mortgage, pledge, assign or transfer its interest in the Lease Agreement except as specifically provided in the Lease Agreement. The District has the right to sublet all or any portion of the Site from time to time but such subletting will not relieve the District of its obligations under the Lease Agreement.

Insurance

The Site is also insured to the extent set forth herein under the heading "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- Lease Agreement - Insurance" and insurance proceeds are required to be applied to the repair of the Site; or if the proceeds are insufficient to repair or replace the Site, the District may prepay the Lease Payments and thereby cause the prepayment of outstanding Certificates. . No assurance can be given that insurance proceeds will be available or, if available, adequate in an amount sufficient to avoid an interruption of Lease Payments. Under such a situation, an abatement of Lease Payments is likely to occur. See "Abatement" above.

The Lease Agreement permits the District to satisfy certain of its insurance requirements through a self-insurance program or a self-insurance joint risk sharing pool. The District is not required to carry earthquake insurance with respect to the Site, and currently does not carry such insurance

Lease Payments

Lease Payments are required to be made by the District under the Lease Agreement on the fifteenth day of the month prior to each Payment Date, commencing on November 15, 2014 (individually, a "Lease Payment Date"), for use and possession of the Site to the next occurring Lease Payment Date. The amount of such Lease Payment shall be credited with amounts on deposit in the Payment Account on such Lease Payment Date.

Lease Payments are required to be deposited in the Payment Account maintained by the Trustee. Pursuant to the Trust Agreement, on each Payment Date the Trustee will withdraw from the Payment Account the amount of the Lease Payment then due and will apply such amounts to make principal and interest payments due with respect to the Certificates.

Additional Payments

The District is obligated under the Lease Agreement to pay when due, during the term of the Lease Agreement, in addition to the Lease Payments, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation, compensation due to the Trustee and all reasonable costs and expenses of auditors,

engineers and accountants. In addition, throughout the term of the Lease Agreement, all improvement, repair and maintenance of the Site is the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the Site, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Site resulting from ordinary wear and tear or want of care on the part of the District or any assignee or lessee thereof. The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Site or the interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the term of the Lease Agreement.

Application for Insurance

The District has applied for a policy of municipal bond insurance to insure the payment of the principal and interest evidenced and represented by the Certificates when due, but no commitment to issue such a policy has been issued as of the date of the Preliminary Official Statement. Furthermore, there can be no assurance that, if the District did receive such a commitment for insurance, it would be cost effective or accepted by the District

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Certificates. There can be no assurance that other risk factors will not become evident at any future time.

Reductions in Revenues

A significant portion of the revenues of the District are derived from allocations of taxes, governmental programs, grants and other governmental or quasi-governmental sources of revenues. Most of these programs are subject termination or change by the funding sources, which changes may be the result of unforeseen factors. There can be no assurance that revenue sources to the District are stable and in the future will be consistent with the levels shown or contemplated in this Official Statement.

No Tax Pledge

The obligation of the District to pay the Lease Payments does not constitute an obligation of the District for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments does not constitute a debt or indebtedness of the District, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limit or restriction.

Abatement and Eminent Domain

Lease Payments are to be paid by the District in each rental period for and in consideration of the right to use and occupy the Site during each such period. The obligation of the District to make Lease Payments (other than to the extent that funds to make Lease Payments are available in the Payment Account and the Reserve Fund created under the Trust Agreement) may be abated in whole or in part if the District does not have use and possession of the Site.

The amount of Lease Payments due under the Lease Agreement will be adjusted or abated during any period in which by reason of damage or destruction or eminent domain there is interference with the use and occupancy by the District of the Site. Such adjustment or abatement will end with the substantial completion or replacement, repair or reconstruction of the Site. The Reserve Fund will be funded by Certificate proceeds in the amount set forth in "ESTIMATED SOURCES AND USES OF FUNDS" herein and will be available, along with amounts on deposit in the Payment Account, in the event amounts received by the Trustee are insufficient to pay principal of and interest with respect to the Certificates as such amounts become due. If damage or destruction or eminent domain proceedings with respect to the Site result in abatement of Lease Payments and the resulting Lease Payments, together with moneys in the above-described amounts, are insufficient to make all payments of principal and interest with respect to the Certificates during the period that the Site is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made and no remedy is available to the Trustee or the Owners, under the Lease Agreement or Trust Agreement, for nonpayment under such circumstances.

Restrictions on Use of Revenues

The District operates as an independent political subdivision of the State of California with responsibilities to carry out certain government programs. A significant portion of the revenues of the District are derived from allocations of taxes, governmental programs, grants and other governmental or quasi-governmental sources of revenues. Certain of these revenues are received by the District with the requirement or understanding that all or part of the amount received will be used to fund costs related to a specific project or program administered or facilitated by the District. As such, a substantial portion of the District's revenues are needed to fulfill these obligations, and are not available for payment of Lease Payments.

Appropriation

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement, so long as the Site is available for its use and possession, to pay Lease Payments from any source of legally available funds (subject to certain exceptions) and has covenanted in the Lease Agreement that it will make the necessary annual appropriations within its budget for all Lease Payments. However, the District is currently liable on other obligations payable from general revenues, and may incur additional obligations payable from general revenues on a parity with the Lease Payments. See "THE DISTRICT" herein and the financial statements included in APPENDIX C hereto. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other municipal services before making Lease Payments and other payments due under the Lease Agreement, except from amounts on deposit in the Payment Account. The same result could occur if, because of the State Constitutional limits on expenditures, the District is not permitted to appropriate and spend all of its available revenues (see "Article XIII B of the State Constitution" below).

No Limit on Additional Debt

The District has the ability to enter into other obligations which may constitute additional charges against its general revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased.

Limitation on Enforcement of Remedies; No Acceleration

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that the Trustee may take possession of the Site and lease it if there is a default by the District, and the Lease Agreement provides that the Trustee may have such rights of access to the Site as may be necessary to exercise any remedies, portions of such Site may not be easily recoverable and, could be of little value to others. Furthermore, due to the essential nature to the governmental functions of the Site, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. See "THE SITE" herein.

If an event of default occurs and is continuing under the Lease Agreement, there is no remedy of acceleration of any Lease Payments which have not come due and payable in accordance with the Lease Agreement. The District will continue to be liable for Lease Payments as they become due and payable in accordance with the Lease Agreement if the Trustee does not terminate the Lease Agreement, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest.

Loss of Tax Exemption

As discussed under "TAX MATTERS" herein, the interest due with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date such Certificates were issued, as a result of changes in federal legislation or acts or omissions of the District in violation of its covenants in the Trust Agreement and the Lease Agreement to comply with certain provisions of the Internal Revenue Code of 1986, as amended, subsequent to the execution and delivery of the Certificates. Should such an event of taxability occur, the Certificates are not subject to early prepayment and will remain outstanding until maturity or until prepaid under one of the prepayment provisions contained in the Trust Agreement.

Geologic, Topographic and Climatic Conditions

The value of the Site, and the financial stability of the District, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts and tornadoes). The Site is not within a flood plain designated by the Federal Emergency Management Administration.

The area encompassed by the District, like that in much of California, may be subject to unpredictable seismic activity. The District is located within a regional network of several active and potentially active faults. If there were to be an occurrence of severe seismic activity in the District, there could be an abatement or an adverse impact on the District's ability to pay the Lease Payments. The Lease Agreement does **not** require that the District maintain earthquake insurance with respect to the Site.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements, including improvements of the Site. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the District. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance, at the time, of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of the Site, as well as public and private improvements within the District in general, may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition. See "Abatement and Eminent Domain" above.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of parcels, with a corresponding reduction in property tax revenue, would be the discovery of hazardous substances that would limit the beneficial use of a property within the District, or the value of the Lease Property. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act" is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should the Site or any substantial amount of property within the District be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. The District is not aware of any such substances on the Site.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Constitutional Limit on Appropriations, Fees and Charges

If a portion of the rates or charges levied by the District were determined by a court to exceed the reasonable costs of providing service, any fee which the District charges may be considered to be a “special tax,” which under Article XIII A of the California Constitution must be authorized by a two-thirds vote of the affected electorate. This limitation is applicable to the District’s rates and charges. The reasonable cost of service has been determined by the State Controller to include depreciation and allowance for the cost of capital improvements. Such court determinations have been codified in the Government Code of the State of California (Section 66000 *et seq.*).

District management is of the opinion that the rates and use charges imposed by the District do not exceed the costs it reasonably bears in providing such services.

Proposition 218

On November 5, 1996, California voters approved Proposition 218, which added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The voter approval requirements of Proposition 218 reduce the District Board’s flexibility to deal with fiscal problems by raising revenue, and no assurances can be given that the District will be able to raise taxes in the future to meet increased expenditure requirements. At this time, the District management has determined that all current fees, taxes and assessments are in compliance with Proposition 218.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges.

While the District is unable to predict how Proposition 218 will be interpreted or whether and to what extent Proposition 218 may be held valid under the California and United States Constitutions, or to what extent this measure will affect the revenues in the District’s General Fund, and while no assurances can be given regarding the impact of the application of Proposition 218, or the risk or likelihood of a voter initiative, the District does not expect Proposition 218 to materially adversely affect its ability to pay the Lease Payments when due, since the only anticipated revenue change is a possible increase in the District’s permit fees, and those fees are not subject to the Proposition. However, certain other fees levied by or on behalf of the District are subject to the restrictions, and the District expects to continue to comply with the provisions of Proposition 218 in connection with any future increases.

Proposition 1A

In connection with the shift of \$2.6 billion of local agency revenues to school funding, the Legislature and the Governor agreed to place Proposition 1A, entitled “Protection of Local Government Revenues,” on the ballot (“Proposition 1A”). The initiative was approved by the voters on November 2, 2004. Proposition 1A amended the California Constitution to (i) prohibit the shift of property tax revenues from cities, counties and special districts, except to address a “severe state financial hardship” (approved by a two-thirds vote of both houses of the Legislature), and only then if (a) such amounts were agreed to be repaid with interest within three years, (b) the State had repaid any other borrowed amounts, including the current amount

owed to repay the vehicle license fee shift, and (c) such borrowing could not occur more often than twice in ten years; (ii) protect the property tax backfill of sales tax revenues diverted to pay the economic recovery bonds, and the reinstatement of the sales tax revenues once such bonds are repaid; and (iii) protect local agency vehicle license fee revenue (or a comparable amount of backfill payments from the State).

Proposition 22

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. (See "Proposition 1A" above). These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs.

On December 29, 2011, the California Supreme Court upheld AB1x 26, adopted by the Legislature in connection with the State's Fiscal Year 2011/12 budget and which effectively terminated all redevelopment agencies in the State as of February 1, 2012.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII A and XIII C of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a

local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase, rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Article XIII D. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

While the District is unable to predict how Proposition 26 will be interpreted or whether and to what extent Proposition 26 may be held valid under the California and United States Constitutions, or to what extent this measure will affect the revenues of the District's, and while no assurances can be given regarding the impact of the application of Proposition 26, the District does not expect Proposition 26 to materially adversely affect its ability to pay the Lease Payments when due. Future increases of fees and the imposition of any new fees will be subject to the provisions of Proposition 26.

Risk of Uninsured Loss

The District covenants under the Lease Agreement to cause to be maintained certain insurance policies on the Site. These insurance policies do not cover all types of risk. For instance, the District does not covenant to maintain earthquake insurance. The District may self-insure in certain circumstances. Moreover, the insurance maintained by the District may provide for deductible amounts. The Site could be damaged or destroyed due to earthquake or other casualty for which the Site are uninsured. Under these circumstances, an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the District's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Site will be sufficient to prepay the Lease Payments which secure the Certificates.

Impact of State Budget

In recent years, the State has faced significant financial and budgetary stress, from which it has only began to recover in Fiscal Year ending June 30, 2013, experiencing budget

shortfalls in the billions of dollars each of the last several years. State revenues declined significantly as a result of recent economic conditions and other factors. On June 27, 2013, Governor Brown approved the 2013-14 Budget Act, projecting \$97.1 billion in general fund revenues and adopting a \$96.3 billion spending plan, the first balanced budget in many years. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 6, 2012) and spending cuts made in the past two years mean that the State's budget is projected to remain balanced for the foreseeable future. The 2013-14 State Budget maintains a \$1.1 billion reserve and pays down a budgetary deficit, projected to be reduced from \$35 billion to \$27 billion in 2013-14 and to below \$5 billion by the end of 2016-17.

The District cannot predict what actions will be taken in the future by the California Legislature and the Governor to deal with changing State revenues and expenditures. It is anticipated that there could be additional future legislation which addresses State budget shortfalls. The District cannot predict what measures may be proposed or implemented for the current Fiscal Year or in the future and the impact, if any, of actions by the State affecting special districts. Given the magnitude of the State's budgetary deficits from time to time, it is possible that future legislation will impact revenues of special districts, such as the District. Budgetary developments at the State level will most likely adversely affect local governments, including the District.

Substitution and Removal of Property

The District and the Corporation may, under the terms of the Lease Agreement, substitute alternate real property for any portion of the Site or release a portion of the project from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Site for which the substitution or release has been effected shall be released from the leasehold encumbrance of the Lease Agreement. There is no requirement under the Lease Agreement that substitute property be in any particular location or serve any particular purpose. See "THE SITE - Release of Property; Substitution" herein.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Certificates, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the District.

Early Prepayment of Premium Certificates

Certificates purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated for federal tax purposes as having amortizable premium. If such Premium Certificates are paid prior to maturity as described herein under "THE CERTIFICATES – Prepayment" or otherwise, not all of the amortized premium may be realized by the Owner. The Premium Certificates are treated as all other Certificates for purposes of selection for prepayment prior to maturity as described herein.

IRS Audit of Tax-Exempt Issues

The IRS has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations).

Future Initiatives

Article XIII A, Article XIII B, Proposition 26 and Proposition 218 were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the District's revenues.

THE DISTRICT

General

The District was formed on December 11, 1944 as a result of a voters' initiative under Section 5500 *et seq.* of the California Public Resources Code. The District provides parks and recreation facilities and services for the incorporated and unincorporated areas under its jurisdiction. The District serves the City of Hayward ("Hayward") and the adjoining communities of Castro Valley, San Lorenzo, Cherryland, Fairview and Ashland and is located in Alameda County (the "County"). Fifty-five percent of the District lies within the boundaries of Hayward. The District has 120 facilities, including seven community centers, two senior citizens' centers, a drama center, a nature center, an interpretive center, two golf courses, a Japanese tea garden, a handicap recreation center, seven swim centers and various parks and trails. The District currently has 122 full-time and 500 hourly employees.

The District is an independent park district governed by a five member Board of Directors elected by the residents of the District. Directors serve four-year, overlapping terms.

The current Board and the expiration of their terms are as follows:

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

The District operations are carried out under the direction of the General Manager, John Gouveia. Mr. Gouveia has been employed by the District since 1991 in various positions. Mr. Gouveia was promoted to General Manager in May 2012. Mr. Gouveia graduated from California State University, Hayward with a B.S. degree in Recreation and a minor in Business Administration. Prior to joining the District, Mr. Gouveia was employed by the City of Pleasanton as a Recreation Coordinator.

General Fund

The District General Fund finances the legally authorized activities of the District not provided for in other restricted funds. General fund revenues are derived from such sources as taxes and assessments; capital improvement grants and contributions, in-lieu fees, operating grants; aid from other governmental agencies; charges for current services; and other revenue.

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The District's general fund uses the modified accrual basis of accounting. The basis of accounting for all funds is more fully explained in the "Notes to Financial Statements" contained in APPENDIX C hereto.

Budgetary Process

The District's Fiscal Year begins on the first day of July each year and ends on the thirtieth day of June of the following year. Before the beginning of each Fiscal Year, the General Manager submits to the District Board a proposed budget for the District. The District Board considers the proposed budget and makes any revisions that it deems advisable. The District Board then adopts the budget with such revisions, if any, by the affirmative vote of at least a majority of the total members of the District Board. At a public meeting after the adoption of the budget, the District Board may amend or supplement the budget by a motion adopted by a majority vote of the District Board. The budgetary and financial accounts of the District are recorded and maintained by the District, and the General Manager serves as the fiscal officer of the District. While the County Tax Collector obtains property tax and assessment monies, the District holds the funds and controls expenditures. The current budget was adopted at a regular District Board meeting on July 22, 2013.

See "District Budget" below for a discussion of the current and prior Fiscal Year budgets.

Labor Relations

The majority of District employees are represented by SEIU Local 1021. Labor relations have been generally amicable in that there have been no major strikes, work stoppages, or other similar incidents. All bargaining groups have Memorandums of Understanding that expire on December 31, 2015. See "Retirement Plan" below.

Assessed Valuation

The following table sets forth the historical taxable assessed valuations for the District.

TABLE 1
HAYWARD AREA RECREATION AND PARK DISTRICT
ASSESSED VALUATIONS
(As of June 30)

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2005-06	\$21,786,775,481	\$5,705,494	\$ 985,586,174	\$22,778,067,149
2006-07	24,203,079,268	5,039,404	976,324,155	25,184,442,827
2007-08	26,322,050,014	1,959,653	992,574,182	27,316,583,849
2008-09	27,125,914,187	1,959,653	1,072,955,997	28,200,829,837
2009-10	25,023,794,319	6,859,653	1,050,359,409	26,081,013,381
2010-11	24,582,319,113	6,943,772	1,041,197,028	25,630,459,913
2011-12	24,635,504,308	9,213,772	1,064,920,615	25,709,638,695
2012-13	25,081,060,215	9,213,772	1,145,311,723	26,235,585,710
2013-14	26,693,011,053	670,143,772 ⁽¹⁾	1,192,551,260	28,555,706,085

Source: California Municipal Statistics, Inc.

(1) Significant increase in utility value in Fiscal Year 2013-14 is due to the completion of Russell City Energy Center, a power station that went online in August of 2013.

Historic Secured Property Tax

Property Tax Revenues. The following table illustrates the property tax revenues of the District for Fiscal Years 2004/05 through 20012/13 and the budgeted property tax revenues of the District for Fiscal Year 2013/14 (see "RISK FACTORS – Impact of State Budget" herein).

TABLE 2
HAYWARD AREA RECREATION AND PARK DISTRICT
PROPERTY TAX REVENUES
(As of June 30)

<u>Fiscal Year</u>	<u>Property Tax Revenues⁽¹⁾</u>	<u>Percent Change</u>
2005	\$ 9,946,833	N/A
2006	10,776,027	8.34%
2007	13,288,411	23.31
2008	14,067,541	5.86
2009	14,342,694	1.96
2010	13,341,038	(6.98)
2011	12,372,065	(7.26)
2012	13,622,973	10.11
2013	15,286,606	12.21
2014 ⁽²⁾	14,230,000	(6.91)

Source: Hayward Area Recreation and Park District.

(1) Current year only. Excluding delinquent collections from prior year.

(2) Budgeted.

Property Assessment Revenues. In addition to property tax revenues, the District has levied a number of assessments pursuant to the Act levied on residential and commercial property within the District. These assessments provide funding for maintenance of certain facilities in the District and can also be used by the District for any other District purpose. The following table illustrates the property assessment revenues of the District for Fiscal Years 2004/05 through 20012/13 and the budgeted property assessment revenues of the District for Fiscal Year 2013/14.

**TABLE 3
HAYWARD AREA RECREATION AND PARK DISTRICT
PROPERTY ASSESSMENT REVENUES
(As of June 30)**

<u>Fiscal Year</u>	<u>Property Assessment Revenues⁽¹⁾</u>	<u>Percent Change</u>
2005	\$3,328,437	N/A
2006	3,336,458	0.24%
2007	3,351,468	0.45
2008	3,365,035	0.40
2009	3,377,073	0.36
2010	3,436,144	1.75
2011	3,385,177	(1.48)
2012	3,204,203	(5.35)
2013	3,391,031	5.83
2014 ⁽²⁾	3,400,000	0.26

Source: Hayward Area Recreation and Park District.

(1) Current year only. Excluding delinquent collections from prior year.

(2) Budgeted.

Teeter Plan

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State of California. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest; therefore, a complex tax redemption distribution system for all taxing agencies is avoided. During the Fiscal Year, actual collections of current-year taxes are apportioned to each fund/agency pursuant to their pro-rata share of the total property tax roll. At the conclusion of the Fiscal Year, the Auditor reconciles actual collections versus the total taxes and assessments due each fund/agency. The County subsequently arranges a Teeter Plan financing to purchase the outstanding delinquencies to fund the remaining apportionment due each fund/agency. This financing transaction is usually completed in August each year. The subsequent collections of delinquent taxes and penalties/interest are used as the source of repayment for the Teeter Plan financing.

The District has elected to participate in the Teeter Plan, and currently receives 100% of its property tax revenues and the assessments collected on the of property tax bill.

Summary of Revenues and Expenditures

The following tables summarize General Fund revenues, expenditures, transfers, and changes in fund balances for the District for Fiscal Years 2009/10 through 2012/13, and a three-year history of the District's Comparative Balance Sheet. See also "District Budget" below for estimated revenues and expenses for the current Fiscal Year.

The audited financial statements of the District for the Fiscal Year ended June 30, 2013, included in APPENDIX C to this Official Statement, have been audited by RS Associates CPA, San Ramon, California, independent certified public accountants, as stated in their report appearing in APPENDIX C. RS Associates CPA has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by RS Associates CPA with respect to any event subsequent to its report for the Fiscal Year ended June 30, 2013.

TABLE 4
HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(Fiscal Year Ending June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues:				
Taxes and assessments	\$16,960,442	\$16,123,646	\$17,102,268	\$18,621,001
Interest	33,256	36,355	23,691	14,678
Aid from governmental agencies:				
Homeowners' Prop. Tax Relief	136,638	134,697	130,670	128,644
Grants	118,725	73,050	102,194	90,140
Rents, concessions, and fees	7,630,361	8,093,610	8,142,608	8,329,383
Other: In-lieu fees	--	--	--	18,586
Miscellaneous	39,090	890,727	16,913	128,927
Total Revenues	<u>24,918,512</u>	<u>25,352,085</u>	<u>25,518,344</u>	<u>27,331,359</u>
Expenditures:				
Current:				
District Management	2,712,667	3,613,938	2,781,081	2,738,265
Recreation programs	8,456,403	8,567,864	8,490,586	8,569,617
Parks	9,066,374	9,729,205	9,884,349	10,445,497
Golf courses	3,142,010	3,233,267	3,315,635	3,360,974
Debt Service:				
Other Expenses	--	--	--	--
Principal	--	--	--	--
Interest	--	--	--	--
Capital Outlay	83,424	104,326	151,496	210,363
Total Expenditures	<u>23,460,878</u>	<u>25,248,600</u>	<u>24,623,147</u>	<u>25,324,716</u>
Excess of Rev. Over (Under) Exp.	<u>1,457,634</u>	<u>103,485</u>	<u>895,197</u>	<u>2,006,643</u>
Other Financing Sources (Uses):				
Transfers in	156,023	148,762	1,015,004	374,617
Proceeds from Loan	--	--	--	490,000
Transfers out	<u>(1,597,237)</u>	<u>(2,640,423)</u>	<u>(1,157,608)</u>	<u>(2,377,254)</u>
Total Other Financing Sources (Uses)	<u>(1,441,214)</u>	<u>(2,491,661)</u>	<u>(142,604)</u>	<u>(1,512,637)</u>
Net change in Fund Balance	16,420	(2,388,176)	752,593	494,006
Fund Balance, Beg. of Year	<u>9,247,026</u>	<u>9,263,446</u>	<u>6,875,270</u>	<u>7,627,863</u>
Fund Balance, End of Year	<u>\$9,263,446</u>	<u>\$6,875,270</u>	<u>\$7,627,863</u>	<u>\$ 8,121,869</u>

Source: Annual District Audits.

TABLE 5
HAYWARD AREA RECREATION AND PARK DISTRICT
GENERAL FUND
COMPARATIVE BALANCE SHEET
(As of June 30)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
ASSETS:				
Cash and Investments	\$ 9,383,463	\$6,460,404	\$8,211,803	\$8,531,730
Account Receivable	584,516	1,065,646	232,722	254,369
Inventory	107,712	117,323	122,472	130,508
Total Assets	<u>\$10,075,691</u>	<u>\$7,643,373</u>	<u>\$8,566,997</u>	<u>\$8,916,607</u>
LIABILITIES AND FUND				
BALANCES:				
Liabilities:				
Accounts Payable	\$333,719	\$322,300	\$473,278	\$323,767
Accrued Payroll	233,960	232,596	233,147	256,432
Deposits Payable	197,868	163,819	180,387	159,966
Sales Tax Payable	10,513	8,401	10,408	9,040
Gifts Certificates Outstanding	36,185	40,987	41,914	45,533
Total Liabilities	<u>812,245</u>	<u>768,103</u>	<u>939,134</u>	<u>794,738</u>
FUND BALANCES				
Petty Cash	10,525	--	--	--
Encumbrances	348,489	--	--	--
Nonspendable	--	117,323	122,472	130,508
Inventory	107,712	--	--	--
Assigned	--	40,752	58,640	34,744
Undesignated	8,796,720	--	--	--
Unassigned	--	6,717,195	7,446,751	7,956,617
Total Fund Balance	<u>9,263,446</u>	<u>6,875,270</u>	<u>7,627,863</u>	<u>8,121,869</u>
Total Liabilities and Fund Balances	<u>\$10,075,691</u>	<u>\$7,643,373</u>	<u>\$8,566,997</u>	<u>\$8,916,607</u>

Source: District Audited Financial Statements.

District Budget

The following table summarizes the Fiscal Year 2013/14 Budget of the District.

TABLE 6
HAYWARD AREA RECREATION AND PARK DISTRICT
GENERAL FUND FINAL BUDGET
(Fiscal Year 2013/14)

	Adopted Budget FY 2013/14
Income	
Current Year Income	
Tax Revenue	\$14,230,000
Special Assessment Tax Revenue	3,400,000
Capital Outlay Fund-Grants, In Lieu Fees and Others ⁽¹⁾	5,475,000
Alameda Co. Grant / Volunteer Coord.	81,500
Other Operating Grants, City of Hayward Land Dedication Fee	392,475
Unrealized Gain/(Loss) on Investment	—
Concessions	7,350
Kennedy Amusement Park	348,100
Total Other Park Operations	327,000
Donation, Private Contributions	—
Interest	24,200
Program Registrations & Admission	3,204,120
Golf Income	3,033,380
Swim Centers	725,500
Use of Equipment and Facilities.	396,100
Contractual Rent/Leases – Building & Grounds	211,000
Miscellaneous	14,500
Discount & Complimentary	(345,200)
Total Current Year Income	\$31,525,025
Prior Year Fund Carried Over	
Appropriation for Contingency	\$4,197,033
Interfund Transfer	--
Audit Adjustment on Revenue and Expenditure Accruals	--
Total Prior Year Funds	\$4,197,033
Total Income	\$35,722,058

Expenditures and Encumbrances**Capital Fund Expenditures and Encumbrances**

Interfund Transfer		
From General Fund to Capital Fund	\$245,629	
Multi Year Projects		--
Park Maintenance Assessment Fund Interest Encumbrance		--
Promissory Note Redemption Fund Interest Encumbrance		
From Grants, In Lieu and Others		5,475,000
Total Capital Expenditures and Encumbrances	\$5,720,629	

Operating Expenditures and Encumbrances

Salary, Wages & Benefits	18,758,788	
Services and Supplies	7,666,902	
Internal Service Fund – Insurance	442,000	
Equipment and Other Capitalized Items	279,000	
Other Postemployment Benefit (OPEB) Funding	918,565	
Total Operating Expenditures and Encumbrances	\$28,065,255	

Total Capital and Operating Expenditures and Encumbrances**\$33,785,884****Future Synthetic Turf Replacement Reserve****500,000****Appropriation for Contingency****\$1,436,175****Total Expenditures, Encumbrances, Reserve and Appropriation for Contingency****\$35,722,058**

Source: Hayward Area Recreation and Park District.

(1) One time sources. Restricted to a specific use and purpose and are not available to pay debt service on the Certificates.

General Fund Reserves

In 2010 the District Board adopted a reserve policy which established goals for its reserve funds. The goal for general fund reserves is a minimum of 5% of the annual operating budget. The following chart illustrates the general fund reserves of the District for Fiscal Years 2004/05 through 2013/14. Reserves are not pledged to the repayment of debt service on the Certificates and can be used for any lawful purpose of the District.

TABLE 7
HAYWARD AREA RECREATION AND PARK DISTRICT
GENERAL FUND RESERVES
(As of June 30)

<u>Fiscal Year</u>	<u>Ending Fund Balance</u>	<u>Percent Change</u>
2005	\$3,524,869	N/A
2006	3,796,903	7.72%
2007	5,145,945	35.53
2008	6,179,206	20.08
2009	6,573,854	6.39
2010	6,087,273	(7.40)
2011	2,319,040	(61.90)
2012	3,912,885	68.73
2013	4,197,033	7.26
2014 ⁽¹⁾	1,836,175	(56.25)

Source: Hayward Area Recreation and Park District.

(1) Budgeted.

District Investment Policy

The District maintains an Investment Policy adopted on March 25, 2013, which sets forth guidelines of the District Finance Officer's investment of such funds. The Finance Officer is a trustee and therefore a fiduciary subject to the prudent investor standards, and the primary objective shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet liquidity needs, and the third objective shall be to achieve a market rate of return. The Investment Policy authorizes investments in securities of the U.S. Government or its agencies, certificates of deposit and the State's Local Agency Investment Fund ("LAIF"). As of June 30, 2013, the District had \$5,574,469 on deposit in its general cash account.

The District's investment portfolio, excluding amounts held by fiscal agents relating to the District's obligations, had a market value as of June 30, 2013 of \$2,096,573. The following table presents a breakdown of the District's investment portfolio by type of security as of that date.

<u>Investments</u>	<u>Percentage of Total Market Value</u>
Money market instruments	47.75%
Certificates of deposits	<u>52.25</u>
Total	100.00%

Source: Hayward Area Recreation and Park District.

The Underwriter and Disclosure Counsel have not made an independent investigation of the District's investments and have made no assessment of the current Investment Policy.

Insurance

The District is self-insured for comprehensive liability coverage as a member of the California Association for Park and Recreation Indemnity (CAPRI), a joint powers authority formed for the purpose of providing workers' compensation insurance to its member agencies. CAPRI manages one 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. As of June 30, 2013, CAPRI provided the District comprehensive general liability coverage with a \$10,000,000 limit per occurrence for personal injury and property damage, public officials and employee liability coverage with a \$10,000,000 annual aggregate limit per member district, flood and earthquake coverage with an annual aggregate limit of \$5,000,000 and other insurance coverage for property loss and theft and employee dishonesty.

Retirement Plan

The District has a defined benefit pension plan with the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The plan provides basic retirement benefits for service, disability or death. The retirement benefits are based on years of service and the highest average monthly qualifying wages during twelve consecutive months of employment. The plan also provides for cost-of-living adjustments after retirement. All regular District employees and a group of 16 hourly employees participate in CalPERS. There are currently 135 District employees participating in CalPERS. Employees are vested after five years of service and qualified to receive retirement benefits at the age of fifty.

For Fiscal Year ending June 30, 2013, District employees were required to contribute four percent (4%) of the eight percent (8%) portion of their annual salary to CalPERS. On January 1, 2014 the contribution increased up to six percent (6%) and on January 1, 2015 will increase to the full eight percent (8%). Under the PEPR law passed in 2012 any employee hired after January 1, 2013 pays the full employee portion of 6.25%. The District's payment of employees' portion of contribution totaled \$509,852 for Fiscal Year 2011/12 and \$349,908 for Fiscal Year 2012/13 and \$315,000 is budgeted for Fiscal Year 2013/14. In Fiscal Years

2012/13 and 2013/14, the employer contribution rate was 16.31% and 17.46% of annual covered payroll, respectively and is anticipated to be 19.151% of annual covered payroll for Fiscal Year 2014/15.

As of June 30, 2012, the actuarial value of the plan's assets was \$48,239,509, resulting in a funded status of 81.90%. See Note 5 of the audited financial statements of the District for the Fiscal Year ended June 30, 2013, included in APPENDIX C to this Official Statement for more information on the District's pension plan and costs.

Set forth below is a schedule of funding progress for the District's defined benefit pension plans:

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Accrued Liability (A)</u>	<u>Actuarial Value of Assets (B)</u>	<u>Unfunded Liability Excess Assets (A-B)</u>	<u>Funded Status Ratio (B/A)</u>	<u>Annual Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll [(A-B)/C]</u>
2009/10	6/30/2010	\$52,694,078	\$44,584,515	\$8,109,563	84.6%	\$7,403,447	109.5%
2010/11	6/30/2011	\$56,218,402	\$46,517,874	\$9,700,528	82.7%	\$7,457,024	130.1%
2011/12	6/30/2012	\$58,884,399	\$48,239,502	\$10,644,890	81.9%	\$7,265,334	146.5%

At its April 17, 2013 meeting, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and smoothing policies. Prior to this change, CalPERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the Fiscal Year 2015/16. While the District currently estimates that these changes in amortization and smoothing policies will increase its contribution levels by approximately 5% over the five year period, it has not determined how this will be reflected in the District's budgets for such periods.

These adjustments have been undertaken in order to address underfunding of the CalPERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persists due to a slower than anticipated, subsequent economic recovery. The District is unable to predict what the amount of CalPERS liabilities will be in the future, or the amount of the CalPERS contributions which the District may be required to make. More information about the CalPERS discount rate adjustment can be accessed through the CalPERS web site at www.calpers.ca.gov. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

Pension Reform Act of 2013

On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("PEPRA") and amended various sections of the California Government Codes. PEPRA (i) increases the retirement age for new

State, school, and city and local agency employees depending on job function, (ii) caps the annual CalPERS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their CalPERS pension benefits. PEPR applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with CalPERS).

The provisions of PEPR went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations will have a five-year window to negotiate compliance with PEPR through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of CalPERS pension benefits, up to 8% of pay for civil workers and 11% or 12% for public safety workers.

CalPERS has predicted that the impact of PEPR on employers and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, CalPERS has noted that changes arising from PEPR could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

The District is unable to predict the amount of future contributions it will have to make to CalPERS as a result of the implementation of PEPR (being its future contributions for the normal costs of new employees). More information about PEPR can be accessed through the CalPERS web site at www.calpers.ca.gov. The references to this internet website are for reference and convenience only; the information contained within the website may not be current, has not been reviewed by the District and is not incorporated herein by reference.

Other Post-Retirement Benefits

The District provides an Other Postemployment Medical Benefit's Plan (the "Plan"). The Plan is provided to a closed group of retirees and employees hired before July 1, 2007 who opted not to enroll in PEHP (defined below). As of June 30, 2013 there were eleven (11) single retirees and thirty two (32) retirees and spouses enrolled in the Plan. The Public Agency Retirement System (PARS) administers the Plan.

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (GASB 45), which addresses how state and local governments must account for and report their obligations related to post-employment healthcare and other non-pension benefits (OPEB). GASB 45 requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. The District was required to begin implementation of GASB 45 for its Fiscal Year ending June 30, 2010.

Pursuant to GASB 45, the District must report an annual OPEB cost based on actuarially determined amounts that, if paid on an ongoing basis, will provide sufficient

resources to pay these benefits as they come due. Based upon the GASB 45 actuarial determination, the District is required to calculate the appropriate amount to fund retiree medical benefits. This amount will be audited annually and additional funds designated, as necessary, to keep it fully funded.

The District's annual OPEB expense and the amount paid for in Fiscal Year 2012/13 was \$868,806 and \$973,436, respectively and is budgeted for Fiscal Year 2013/14 at \$918,565. The District's annual OPEB cost, actual contributions, the percent paid, age adjusted retiree cost and the net OPEB obligation for the Fiscal Years 2009/10 through 2012/13 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Age Adjusted Retiree Cost</u>	<u>Net OPEB Obligation</u>
2009/10	\$1,061,702	\$ 839,116	79%	\$ (322,510)	\$ 826,619
2010/11	1,032,293	853,986	83	(368,631)	307,174
2011/12	1,018,525	866,806	85	(481,377)	(22,484)
2012/13	976,381	973,436	99	(517,276)	(536,815)

Set forth below is a schedule of the District's OPEB funding progress:

<u>Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) (A)</u>	<u>Actuarial Value of Assets (B)</u>	<u>Unfunded Liability Excess Assets (A-B)</u>	<u>Funded Status Ratio (B/A)</u>	<u>Annual Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll [(A-B)/C]</u>
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

As of November 30, 2013, the market value of OPEB assets was \$4,218,694.

In 2007, the District implemented a defined contribution program (PEHP) for all future new hires and those existing employees who enrolled in PEHP. PEHP is a tax-free defined contribution health reimbursement arrangement which allows employers to set aside money for the payment of medical expenses that retirees will incur after they sever employment. As of June 30, 2013, there were forty-four (44) employees enrolled in PEHP. PEHP has no limit on contributions. The District contributes 1.5% of participating employees' base salaries to Nationwide Retirement Solutions each month. For Fiscal Year 2012/13, the District has funded \$40,919 to PEHP.

Outstanding Debt

The District has executed a number of obligations payable from the District General Fund primarily consisting of capital leases and bank loans (see Note 4 to APPENDIX C hereto). As of January 1, 2014 the District had long-term debt outstanding (inclusive of the 1998 Certificates) in the amount of \$2,358,768 and the scheduled payments due in Fiscal Year 2013/14 total \$805,629.

Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding obligations issued in the form of general obligation, lease, revenue and special assessment bonds. See "RISK FACTORS – Direct and Overlapping Indebtedness" herein. Other public agencies whose boundaries overlap those of the District could, without the consent of the District and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District for the purpose of financing additional regional or local public improvements or services. The lien created on the land within the Assessment Districts through the levy of such additional taxes or assessments may be on a parity with the lien of the assessments. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure.

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within the District. Additional indebtedness could be authorized by the District or other public agencies at any time. This table has been prepared by California Municipal Statistics, Inc. as of the date indicated, and is included for general information purposes only. The District has not reviewed the data for completeness or accuracy and neither makes any representations in connection therewith.

**HAYWARD AREA RECREATION AND PARK DISTRICT
DIRECT AND OVERLAPPING DEBT
(As of April 1, 2013)**

2013-14 Assessed Valuation: \$28,555,706,085

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/14</u>
Bay Area Rapid Transit District	5.433%	\$ 35,220,781
Chabot-Las Positas Community College District	31.220	134,975,746
Castro Valley Unified School District	99.667	89,755,117
Hayward Unified School District	100.000	195,961,100
New Haven Unified School District	3.884	7,254,983
San Lorenzo Unified School District	78.077	80,587,176
Washington Township Healthcare District	0.797	1,593,283
East Bay Regional Park District	8.386	17,021,484
City of Hayward Community Facilities District No. 1	100.000	7,076,294
1915 Act Bonds	100.000	1,475,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$570,920,964

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County General Fund Obligations	13.726%	\$123,058,394
Alameda County Pension Obligations	13.726	12,049,702
Alameda-Contra Costa Transit District Certificates of Participation	16.233	4,570,401
Hayward Unified School District Certificates of Participation	100.000	15,565,000
San Lorenzo Unified School District Certificates of Participation	78.077	6,820,026
Castro Valley Unified School District Certificates of Participation	99.667	5,905,270
City of Hayward General Fund Obligations	93.577	23,164,986
City of Union City Pension Obligation Bonds	0.360	71,669
Hayward Area Recreation and Park District	100.000	815,000⁽¹⁾

TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$192,020,448
Less: City of Hayward Public Financing Authority Lease Revenue Bonds (100% supported)	514,674
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$191,505,774

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$85,136,360

GROSS COMBINED TOTAL DEBT	\$848,077,772⁽²⁾
NET COMBINED TOTAL DEBT	\$847,563,098

- (1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

<u>Ratios to 2013-14 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt.....	2.00%
Combined Direct Debt (\$815,000).....	0.003%
Gross Combined Total Debt	2.97%
Net Combined Total Debt	2.97%

<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,956,797,156):</u>	
Total Overlapping Tax Increment Debt	2.15%

Source: California Municipal Statistics, Inc.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation created for the purpose of aiding the financing of projects for California special districts which are members of the California Special Districts Association (the "Association"). The Corporation's articles of incorporation and bylaws empower it to act as lessor in this financing.

The Association is a nonprofit corporation which has been incorporated in the State of California for approximately 30 years. The purposes and objectives of the Association are to advance the vital public interest in effective, efficient and responsive local government, specifically by providing insurance, educational, financing and legislative advocacy services to California special districts.

UNDERWRITING

The District has agreed to sell the Certificates to Prager & Co., LLC, as underwriter (the "Underwriter"), and the Underwriter has agreed, subject to certain conditions, to purchase the Certificates at a purchase price of \$_____ (the principal amount of the Certificates less an underwriting discount of \$_____, and plus net original issue premium of \$_____). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Certificates if any such Certificates are purchased. The Underwriter intends to offer the Certificates to the public initially at the prices and/or yield set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Certificates to the public. The Underwriter may offer and sell Certificates to certain dealers (including dealers depositing Certificates into investment trusts) at prices lower than the public offering prices, and such dealers may re-allow any such discounts on sales to other dealers. In reoffering Certificates to the public, the Underwriter may over allocate or effect transactions which stabilize or maintain the market prices for Certificates at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

PROFESSIONAL FEES

In connection with the issuance of the Certificates, fees payable to Nossaman LLP, as Special Counsel and Disclosure Counsel, and The Bank of New York Mellon Trust Company, N.A., as Trustee, are contingent upon the issuance of the Certificates.

LEGAL OPINIONS

Nossaman LLP, Irvine, California, Special Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity and enforceability of the District's obligations under the Lease Agreement and the validity of the Certificates. Except with respect to certain legal matters, Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Special Counsel's fee for delivery of its opinion is contingent on successful execution and delivery of the Certificates. Certain matters will be passed upon for the District by its general counsel. Nossaman LLP, Irvine, California, also serves as Disclosure Counsel.

TAX MATTERS

General. In the opinion of Nossaman LLP, Special Counsel, based on existing statutes, regulations, rulings and court decisions, the portion of each Lease Payment designated as and representing interest and received by the Owners of the Certificates (the "Interest Portion") is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Special Counsel is set forth in APPENDIX D hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as that represented by the Certificates. The District has covenanted to comply with certain restrictions designed to assure that the Interest Portion will not be includable in federal gross income. Failure to comply with these covenants may result in the Interest Portion being included in federal gross income, possibly from the date of execution and delivery of the Certificates. The opinion of Special Counsel assumes compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the Certificates may affect the value of, or the tax status of the Interest Portion. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of the Interest Portion of, the Certificates. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Special Counsel is further of the opinion that the Interest Portion is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Counsel observes that the Interest Portion is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the Certificates should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to obligations such as that represented by the Certificates, (ii) interest with respect to obligations such as those represented by the Certificates earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to obligations such as those represented by the Certificates, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as those represented by the Certificates.

If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Certificate (other than a purchaser who holds such Certificate as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Certificate constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the Interest Portion on the Certificates. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Certificate and the basis of such Certificate acquired at such initial offering price by an initial purchaser of each such Certificate will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount

in the case of purchasers of such Certificates who purchase such Certificates after the initial offering of a substantial amount thereof. Owners who do not purchase such Certificates in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Certificates. All holders of such Certificates should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Certificate based on the purchaser's yield to maturity in such Certificates, except that in the case of such a Certificate callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Certificate. A purchaser of such a Certificate is required to decrease his or her adjusted basis in such Certificate by the amount of bond premium attributable to each taxable year in which such purchaser holds such Certificate. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Certificate, and with respect to the state and local tax consequences of owning and disposing of such a Certificate.

Certain agreements, requirements and procedures contained or referred to in the Installment Purchase Contract and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Special Counsel expresses no opinion as to any Certificate or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Special Counsel.

Although Special Counsel has rendered an opinion that the Interest Portion is excludable from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the Certificates, and the accrual or receipt of the Interest Portion may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Certificates issued prior to enactment. For example, certain recent legislative proposals, if enacted, could result in additional federal income tax being imposed on certain owners of tax-exempt obligations, including the Certificates, or could limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest, to 28% irrespective of the actual marginal tax rate imposed on such taxpayers.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular

manner, could adversely affect the market value of the Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Certificates or the market value thereof would be impacted thereby.

Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of execution and delivery of the Certificates and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Information Reporting and Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any Certificate owner who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest with respect to the Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

LITIGATION

The District is not aware of any pending or threatened litigation concerning the validity of the Certificates or the Lease Agreement or challenging any action taken by the District or the Corporation with respect to the Certificates or the Lease Agreement. Furthermore, the District is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Lease Agreement or the Trust Agreement or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the District taken with respect to any of the foregoing.

FINANCIAL STATEMENTS

The general purpose financial statements of the district for the Fiscal Year ending June 30, 2013, pertinent sections of which are included in APPENDIX C to this Official Statement, have been audited by RS Associates CPA, independent certified public accountants, as stated in their report appearing in APPENDIX C. The District has not requested, and the auditor has not provided, any consent to the inclusion of its report herein or any update or review of its report in connection with its inclusion in this Official Statement. See APPENDIX C hereto.

RATINGS

Standard & Poor's Credit Market Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned its municipal bond rating of "AA" to the Certificates. The rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that any rating will continue for any

given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any downward revision or withdrawal of any rating obtained. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

MISCELLANEOUS

All of the descriptions of the California Government Code, other applicable legislation, the Lease Agreement, the Trust Agreement, the Site, the District, the Corporation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been duly authorized by the Board of Directors of the District.

HAYWARD AREA RECREATION AND PARK DISTRICT

By: _____
General Manager

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

THE TRUST AGREEMENT

Definitions

“1998 Certificates” means the CSDA Finance Corporation Certificates of Participation (California Special Districts Finance Program) 1998 Series HH.

“1998 Trust Agreement” means the Trust Agreement, dated as of March 1, 1998, among the District, the Corporation and the 1998 Trustee, relating to the 1998 Certificates.

“1998 Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto action pursuant to the 1998 Trust Agreement.

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Acquisition”, “Acquire” or “Acquired” means, with respect to the Project, the acquisition or leasing of an ownership or leasehold interest in the Project, as applicable, or the financing, refinancing, construction, ownership or leasing of the Project.

“Acquisition Account” means the account of that name established under, and held by the Trustee pursuant to the Trust Agreement.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid to the Contractors therefor upon acquisition, construction, refinancing, improvement, repair, modification or delivery of any portion of the Project and related equipment, in accordance with the purchase order or contract therefor. Acquisition Costs include the costs of site preparation necessary for the installation of any Project. Acquisition Costs also include administrative, engineering, legal, financial and other costs incurred by the District, the Corporation and the Contractors in connection with the acquisition, delivery and installation by the Corporation of the Project.

“Acquisition Date” means, with respect to each Project, the date specified in the Agreement.

“Agreement” or “Lease Agreement” means the Lease Agreement for the lease of the Site by the Corporation to the District in connection with the execution and delivery of the Certificates, dated as of April 1, 2014, as originally executed and as may from time to time be amended or supplemented in accordance with the Trust Agreement and therewith.

“Assignment Agreement” means the agreement by that name, dated as of April 1, 2014, by and between the Corporation and the Trustee, executed in connection with the Agreement.

“Authorized Officer” when used with respect to the Corporation, means the President, Vice President, Treasurer, or Secretary of the Corporation or the Administrator, or

any other officers of the Corporation designated by the Corporation as an Authorized Officer for purposes of the Agreement. The term "Authorized Officer," when used with respect to the District, means the District Representative specified in the Agreement. The term "Authorized Officer," when used with respect to the Trustee, means the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every trust officer and every other officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any trust matter is referred because of his knowledge of the familiarity with, a particular subject.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California.

"Certificate Year" means the twelve calendar month period commencing on December 2 and terminating on December 1 of the following year; provided, that the first Certificate Year shall commence on the Closing Date and terminate on December 1, 2014.

"Certificates of Completion" or "Certificate of Completion" means the certificate of an Authorized Officer of the District certifying that all equipment and other property constituting the Project has been acquired, installed and accepted by the District, and that all Acquisition Costs for such Project have been paid.

"Due Date" means December 15 and June 15 of each year, commencing December 15, 2014.

"Escrow Agent" means The Bank of New York Mellon Trust Company, N.A., or any successor thereto pursuant to the Escrow Instructions.

"Escrow Fund" means the fund established by the Escrow Instructions.

"Escrow Instructions" means the escrow instructions from the Corporation to the Escrow Agent and the 1998 Trustee, dated as of April 1, 2014.

"Event of Default" means an event of default described in the Agreement.

"Federal Securities" means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

"Fiscal Year" means the twelve calendar month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the District as its Fiscal Year in accordance with applicable law.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for special districts in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

“Insurance and Condemnation Fund” means the fund by that name established under, and held by the Trustee pursuant to the Trust Agreement.

“Lease Payments” means the Lease Payments of principal and the interest thereon or with respect thereto scheduled to be paid by the District under and pursuant to the Agreement.

“Moody’s” means Moody’s Investors Service, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation.

“Net Proceeds” means, when used with respect to any insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Outstanding” when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except-

- (1) Certificates canceled by the Trustee;
- (2) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement; and
- (3) Certificates in lieu of or in substitution for which replacement Certificates shall have been executed and delivered.

“Owner” means the registered owner of any Outstanding Certificate.

“Payment Dates” means January 1 and July 1 of each year, commencing January 1, 2015.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon any direction of the District as a certification that such investment constitutes a Permitted Investment and is a legal investment under the laws of the State of California):

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, but excluding CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

Farmers Home Administration (FmHA)
Certificates of beneficial ownership

Federal Housing Administration Debentures (FHA)

General Services Administration

Participation certificates

Government National Mortgage Association (GNMA or “Ginnie Mae”)

GNMA – guaranteed mortgage-backed bonds

GNMA – guaranteed pass-through obligations (participation certificates)

(not acceptable for certain cash-flow sensitive issues.)

U.S. Maritime Administration

Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local District Bonds

New Communities Debentures – U.S. Government guaranteed debentures

U.S. Public Housing Notes and Bonds – U.S. Government guaranteed

public housing notes and bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System

Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)

Participation certificates

Senior debt obligations

Federal National Mortgage Association (FNMA or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP) obligations

Farm Credit System

Consolidated system-wide bonds and notes

Federal Agriculture Mortgage Association

Tennessee Valley Authority

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having, at the time of purchase, a rating by S&P, Moody’s or Fitch in one of the two highest rating categories assigned by such agencies including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee

or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

5. Certificates of deposit secured at all times by collateral described in 1 and/or 2 above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Trustee and its affiliates. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including the Deposit Insurance Fund. In addition to the authority to invest funds in certificates of deposit set forth in this subsection (6), an investment in nonnegotiable certificates of deposit made in accordance with the following conditions is an authorized investment: (i) the financial institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (ii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States of America or an instrumentality of the United States of America; (iii) the financial institution selected by the District acts as custodian for the District with respect to the certificates of deposit issued for the account of the District.

7. Investment agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements.

8. Commercial paper rated, at the time of purchase, "Prime -1" by Moody's and "A-1" or better by S&P.

9. Bonds or notes issued by any state or municipality which, at the time of purchase, are rated by Moody's, Fitch or S&P in one of the two highest rating categories assigned by such agencies.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime -1" or "A3" or better by Moody's and "A-1+" by S&P.

11. Repurchase agreements for 30 days or less must follow the following criteria:

(i) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

12. Medium-term Notes: Corporate notes issued by corporations organized and operating within the United States with a rating of "AAA" or higher at the time of purchase by a nationally recognized rating service and with a maximum remaining maturity of no more than three (3) years after the date of purchase.

13. The Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

14. The County of Alameda County Pooled Treasury Portfolio.

15. Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

“Principal Office” means the principal office of the Trustee in Los Angeles, California, or such other office as the Trustee shall designate in writing to the Corporation, except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Project” means, collectively, those certain improvements acquired, constructed, refinanced, modified, improved, repaired and installed from the proceeds of the Certificates deposited in, or transferred to, the Acquisition Account, as shown in the Agreement and those certain improvements acquired, constructed, refinanced, modified, improved, repaired and installed from the proceeds of the 1998 Certificates.

“Project Fund” means the fund by that name established under and held by the Trustee pursuant to the Trust Agreement.

“Record Date” means the fifteenth day of the calendar month prior to a Payment Date, whether or not a Business Day.

“Related Documents” means the Agreement and the Site Lease.

“Reserve Fund Credit Facility” means a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, which has been approved in writing by the rating agency then rating the Certificates and which in the aggregate making funds available in the Reserve Fund in an amount equal to the Reserve Requirement.

“Reserve Requirement” means, as of any date of calculation by the Trustee, the lesser of (i) 10% of the original principal amount of the principal payments due under the Lease Agreement (less original issue discount, if any), (ii) an amount equal to the maximum annual Lease Payment payable in a Certificate Year by the District between such date of calculation and the expiration of the Lease Agreement, or (iii) 125% of the average annual Lease Payment payable in a Certificate Year by the District.

“S&P” means Standard & Poor’s Rating Group, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the District.

“Trust Estate” means all present and future estate, right, title and interest of the Trustee in and to the Site, the Agreement, the Trust Agreement or any other authorized agreement including, without limitation, all amounts of Lease Payments payable under the

Agreement, all insurance policies or proceeds, requisitions, indemnities, condemnation awards or other Lease Payments of any kind, in each case payable to the Trustee for or with respect to the Site, or any component part thereof, except for any indemnities or compensation payable to the Trustee in its individual capacity pursuant to the Trust Agreement, the Agreement or any other authorized agreement.

Lease Payments With Respect to Certificates Equal to Total Lease Payments

The total principal and interest due on all Certificates shall not exceed the total Lease Payments due under the Agreement. The Certificates represent interests of the owners thereof in Lease Payments to be made by the District. The total amount of each payment made to the Owners of the Certificates is comprised of interests in Lease Payments made by one or more of the District with respect to Certificates maturing on the maturity date (including mandatory sinking fund payment dates).

Transfer and Exchange of Certificates

Subject to the provisions of the Trust Agreement, (a) each Certificate shall be transferable only upon a register of the names of each certificate owner (the "Certificate Register"), which shall be kept for that purpose at the Principal Office of the Trustee, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his duly authorized attorney. The Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Certificate and for all other purposes, and all such Lease Payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the District nor the Trustee shall be affected by any notice to the contrary. The Trustee shall not be obliged to effect any exchange or transfer of any Certificate during the period after the mailing of notice calling such Certificate or a portion thereof for prepayment, nor during the fifteen (15) days preceding the giving of such notice of prepayment.

Certificates Mutilated, Destroyed, Lost or Stolen

If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the

Trustee may make payment of such Certificate, upon receipt of indemnity satisfactory to the Trustee.

Project Fund

There is established with the Trustee a special trust fund to be designated the "Hayward Area Recreation and Park District Project Fund, Series 2014" (herein referred to as the "Project Fund"). The Trustee shall keep such fund as a trust fund separate and apart from all other funds and accounts held by it. Within the Project Fund, there are established the Payment Account, the Delivery Costs Account, the Acquisition Account and the Prepayment Account.

Establishment of Payment Account

Within the Project Fund, there is established a separate account to be designated the "Payment Account, Series 2014." The Trustee shall maintain the Payment Account until the Lease Payments are paid in full pursuant to the terms of the Agreement. The Trustee shall administer the Payment Account as provided in the Trust Agreement. Lease Payments shall be deposited in the Payment Account pursuant to the Trust Agreement. The Trustee shall withdraw from the Payment Account, on each Payment Date, an amount equal to the total payments due on or before such Payment Date, and shall cause the same to be applied to the payment of principal and interest payments due with respect to the Certificates on such Payment Date. If on any Payment Date amounts on hand in the Payment Account are insufficient to pay the full amount of principal and interest then due and payable with respect to the Certificates, the Trustee shall apply such amounts first to the payment of interest past due, pro rata if necessary, and second to the payment of principal past due, pro rata, if necessary.

Establishment of the Reserve Fund

(a) Reserve Fund. The Trustee agrees to establish and maintain so long as any Certificates are Outstanding the Reserve Fund. Amounts on deposit in the Reserve Fund shall be available only to pay the principal and interest with respect to the Certificates, and for so long as any Certificates remain outstanding, shall not be available for the payment of debt service on or with respect to any Parity Obligations. The Trustee shall hold the Reserve Fund in trust and shall apply moneys in the Reserve Fund in accordance with the following provisions. If, five (5) days prior to any Interest Payment Date, the money in the Payment Fund is insufficient to make the payments required by the Trust Agreement with respect to the Certificates on such Interest Payment Date the Trustee shall transfer from the Reserve Fund to the Payment Fund the amount of such insufficiency. If as of the first (1st) day of the month preceding any Interest Payment Date there shall be any deficiency in the Reserve Fund, the Trustee shall promptly notify the District and the District shall pay to the Trustee the amount of such deficiency as provided in the Lease Agreement. Delinquent Lease Payments, when received, shall be used to replenish any draw on the Reserve Fund caused by such delinquency. If, following valuation thereof, the amount available and contained in the Reserve Fund exceeds the Reserve Requirement and if the District is not then in default by the Trust Agreement, the Trustee shall withdraw the amount of such excess from the Reserve Fund. The Trustee shall deposit such amount in the Payment Fund. Except for such withdrawals all money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making the Installment Payments in the event that amounts on deposit in the Payment Fund are insufficient for such purposes, or to pay the final Lease Payments.

(b) Reserve Fund Credit Facilities. The District may fund all or a portion of the Reserve Requirement with one or more Reserve Fund Credit Facilities. Upon deposit of any Reserve Fund Credit Facility with the Trustee, the Trustee, upon the Written Order of the District, shall pay to the District from amounts in the Reserve Fund an amount equal to the principal of the Reserve Fund Credit Facility. In any case where the Reserve Fund is funded with a combination of cash and a Reserve Fund Credit Facility, the Trustee shall deplete all cash balances before drawing on the Reserve Fund Credit Facility. With regard to replenishment, any available moneys provided by the District shall be used first to reinstate the Reserve Fund Credit Facility and second, to replenish the cash in the Reserve Fund. In the event the Reserve Fund Credit Facility is drawn upon, the District shall make payment of interest on amounts advanced under the Reserve Fund Credit Facility after making any Lease Payments to the Lease Agreement. In the event the Reserve Fund Credit Facility will lapse or expire, the Trustee shall draw upon such Reserve Fund Credit Facility prior to its lapsing or expiring, make deposits from available moneys provided by the District to the Reserve Fund to increase the amount on deposit therein to the Reserve Requirement or substitute such Reserve Fund Credit Facility with a Reserve Fund Credit Facility furnished to it by the District.

Deposit of Lease Payments; Held in Trust

All Lease Payments and interest thereon shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee no later than the next Business Day after the receipt thereof. All Lease Payments and interest thereon received by the Trustee shall be held in trust by the Trustee under the terms by the Trust Agreement and, except as provided with respect to delinquent Lease Payments, shall be deposited by it as and when received in the Payment Account. The moneys and investments held by the Trustee by the Trust Agreement and in the Reserve Fund are irrevocably held in trust for the benefit of the Owners, and for the purposes in the Trust Agreement specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the District, the Trustee or the Corporation, or any of them.

Rebate Fund

The District covenants to calculate the amount of, and to rebate to the United States, excess investment earnings, all in accordance with the Regulations. The Trustee shall not be responsible for enforcing compliance with such rebate requirements.

(a) Obligation to Calculate Excess Investment Earnings. The District shall calculate or cause to be calculated, and shall provide, or cause to be provided, written notice to the Trustee of the excess investment earnings (as defined in the Code, "Excess Investment Earnings") at such times and in such manner as may be required pursuant to the Code. The District shall inform the Trustee how frequently calculations are to be made, and shall ensure that a copy of all such calculations is given promptly to the Trustee.

(b) Rebate to United States. The District agrees to deposit with the Trustee, promptly upon the receipt of any calculations made pursuant to the preceding subsection (a), the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the District in the Rebate Fund, which the Trustee shall establish when so directed by the District. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Fund such amounts as shall be identified

pursuant to written notice filed with the Trustee by the District for such purpose from time to time. Payments to the United States of America shall be made to the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. Following payment in full to the United States of America of all amounts due and owing under this subsection (b) and under the Code, the Trustee shall withdraw from the Rebate Fund and transfer to the District all amounts remaining on deposit in the Rebate Fund.

(c) Investment Transactions. The District shall assure that Excess Investment Earnings are not paid or disbursed except as required in this section. To that end the District shall assure that investment transactions are on an arm's-length basis. In the event that Qualified Investments consist of certificates of deposit or investment contracts, investment in such Qualified Investments shall be made in accordance with the procedures described in the Regulations.

(d) Maintenance of Records. The District shall keep, and retain for a period of six (6) years following the retirement of the Certificates, records of the determinations made pursuant to this section.

(e) Engagement of Professional Services. In order to provide for the administration of this section, the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate.

(f) Modification of this Section. Any of the provisions of this section may be amended, modified or deleted in any manner whatsoever in the event that the District shall cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are accompanied by an opinion of Bond Counsel stating that such amendment, modification or deletion will not cause interest with respect to the Certificates to be includable in gross income of the Owners for federal income tax purposes. The Trustee shall be deemed conclusively to have complied with such provisions of this Section if it follows the directions of the District, and shall have no liability or responsibility to enforce compliance by the District with the terms of the guidance for compliance with the rebate requirements.

Insurance and Condemnation Fund

All Net Proceeds of insurance or eminent domain proceeds which are received by the Trustee shall be deposited in the Insurance and Condemnation Fund, which shall be established by the Trustee when needed. The Trustee shall promptly give notice of the receipt of Net Proceeds to the District when such Net Proceeds have been paid. The Net Proceeds of any insurance or award paid with respect to the District's Site (the "Property") resulting from any damage or destruction to such Property shall be deposited with the Trustee in the Insurance and Condemnation Fund. Within sixty (60) days of such deposit, the District shall certify in writing to the Trustee (i) as to whether the Property has been damaged or destroyed in whole or in part, (ii) as to whether Net Proceeds are to be utilized for the repair, replacement or improvement of all or specified components (the "Repairable Components") of the damaged or destroyed portion of the Property and, if so, that sufficient funds, together with the Net Proceeds related to the Repairable Components, have been appropriated by the District to pay the total costs of such repair, replacement or improvement, and (iii) as to whether repair, replacement or improvement of all or specified components (the "Unrepairable Components") of the damaged or destroyed portion of the Property is not economically feasible or in the best interest of the

District; provided that if the Property has been damaged or destroyed in whole, the District shall not certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District unless the Net Proceeds, together with funds then on hand in the Payment Account and Reserve Fund, are sufficient to prepay all of the Lease Payments, including the portion of Lease Payments designated as interest and accruing to such date of prepayment. If such certification is to the effect that Net Proceeds are to be utilized for the repair, replacement or improvement of Repairable Components and that sufficient funds, together with the Net Proceeds related to such Repairable Components, have been appropriated to pay the total cost of such repair, replacement or improvement, the Trustee will disburse the Net Proceeds related to the Repairable Components to the District in order for the District to cause the Repairable Components to be repaired, replaced or improved to at least the same good order, repair and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished with said Net Proceeds and other funds available for such purpose, and the Trustee shall transfer any amounts indicated by the District in writing to be excess Net Proceeds related to the Repairable Components to the Payment Account to be credited against the next Lease Payment from the District. If such certification is also, or alternatively, as the case may be, to the effect that repair, replacement or improvement of the Unrepairable Components is not economically feasible or in the best interest of the District, the Trustee will transfer the Net Proceeds related to the Unrepairable Components to the Prepayment Account to be applied to the prepayment of Certificates.

If any part of the Site is taken by eminent domain proceedings, the Net Proceeds therefrom shall be deposited in the Insurance and Condemnation Fund. Within sixty (60) days of such deposit the District shall certify in writing to the Trustee (A) as to whether the Property has been taken in whole or in part pursuant to such proceedings, (B) as to whether the remaining portion of the Property is still useful for the purposes originally intended, and (C) as to whether it desires that any available Net Proceeds from such eminent domain proceedings be applied for repair or replacement of the Property and, if so, that sufficient funds, together with such Net Proceeds, have been appropriated by the District to pay the total cost of such repair and replacement. If such certification is to the effect that the Property has been taken in whole pursuant to such eminent domain proceedings or has been taken in part to such extent that the remaining portion of such Property is no longer useful for the purposes originally intended, the Trustee shall transfer all of such Net Proceeds to the Prepayment Account to be applied to the prepayment of Certificates. If such certification is to the effect that the Property has been taken in part pursuant to such eminent domain proceedings and that the remaining portion of the Property is still useful for the purposes originally intended, the Trustee shall transfer such Net Proceeds to the Prepayment Account to be applied to the prepayment of Certificates; provided that, if such certification is also to the effect that the District desires that any available Net Proceeds be applied for repair or replacement of the Property, and that sufficient funds, together with such Net Proceeds, have been appropriated to pay the total cost of such repair and replacement, the Trustee will disburse such Net Proceeds to the District in accordance with the Trust Agreement in order for the District to cause the Property to be repaired, replaced or improved to at least the same good order, repair and condition as it was in prior to the eminent domain proceedings, insofar as the same may be accomplished with said Net Proceeds, and the Trustee shall transfer any amounts indicated by such District in writing to be excess Net Proceeds to the Payment Account to be credited against the principal component of the next Payment.

Investments

Amounts on deposit in any fund or account created pursuant to the Lease Agreement or the Trust Agreement (except the Reserve Fund) shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement by the Trust Agreement, in accordance with such written directions as the District may from time to time provide to the Trustee. Amounts on deposit in the Reserve Fund shall be invested by the Trustee, in accordance with written directions from the District, in Permitted Investments (i) having an average aggregate weighted term to maturity not greater than five (5) years, or (ii) of any maturity, but callable at par for any purpose required by the Trust Agreement. The Trustee may sell or present for prepayment any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for prepayment. Interest or profit received on such investments shall be deposited to the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Requirement, and thereafter to the Payment Fund.

In computing the amount in any fund or account, permitted investments shall be valued at fair market value, marked to market, exclusive of accrued interest. The Trustee shall perform such valuation (i) in no event less often than once a year or more frequently than monthly, and (ii) upon any draw on the Reserve Fund. In making any valuations by the Trust Agreement, the Trustee may utilize any securities pricing services that may be available to it, including those within its regular accounting system, and conclusively rely thereon. All amounts representing capitalized interest, if any, shall be held by the Trustee, pledged solely to the payment of interest represented by the Certificates and invested at the direction of the District only in non-callable Federal Securities maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged. If at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds ten percent (10%) of invested funds, such Permitted Investment shall be sold or liquidated, as directed by the District. The Trustee shall not be responsible for monitoring the requirement of the preceding sentence.

Compliance with Trust Agreement

The Corporation and the District will not suffer or permit any default by it to occur by the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms by the Trust Agreement required to be complied with, kept, observed and performed by them.

Compliance with Agreement

The Corporation and the District will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Agreement required to be complied with, kept, observed and performed by them and will enforce the Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations

The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations imposed on them by contract, or

prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens

So long as any Certificates are Outstanding, neither the Corporation nor the District will create or suffer to be created any pledge of or lien on the Lease Payments other than as permitted by the Trust Agreement or under the Agreement.

Action on Default or Acceleration

If an Event of Default under the Agreement shall occur or be deemed to have occurred, then such Event of Default shall constitute an Event of Default by the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee may proceed to exercise the remedies provided to the Corporation in the Agreement.

Other Remedies of the Trustee

The Trustee and, subject to the provisions of the Trust Agreement, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the District or any board member, officer or employee thereof, and to compel the Corporation or the District or any such board member, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Trust Agreement; or

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee.

Non Waiver

A waiver of any default or breach of duty or contract by the Trustee or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee or the Owners by law or by this paragraph may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or the Owners, the District, the Trustee, the Owners and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given by the Trust Agreement or now or existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law.

No Liability by the Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Agreement or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the District to the Owners

Except for the payment when due of the Lease Payments and the interest thereon, and the performance of the other agreements and covenants required to be performed by them contained in the Agreement or in the Trust Agreement, the District will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Lease Payments, and the interest thereon, by the Trustee, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners

Except for the duty of the Trustee to make Lease Payments on the Certificates from moneys received from the District, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments and the interest thereon by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Agreement.

Power of Trustee to Control Proceedings

The Trustee shall have full power, in the exercise of its discretion, for the best interests of the Owners of the Certificates with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of action taken in response to the occurrence of an Event of Default by the Trust Agreement; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates then Outstanding, opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owners' Right to Bring Suit

No Owner of any Certificate executed and delivered under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy

under or upon the Trust Agreement as third party beneficiary under and pursuant to the terms of the Lease Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease Agreement; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers in the Trust Agreement or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity satisfactory to the Trustee against the fees, costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee. The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this section or any other provision by the Trust Agreement.

Application of Funds

All moneys then held or received by the Trustee pursuant to any right given or action taken upon an event of default under the Agreement, shall be deposited into the Payment Account and be applied by the Trustee in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee in investigating and declaring such event of default and in enforcing the terms of the Trust Agreement, the Agreement and/or other agreements, and any other fees and expenses of the Trustee incurred in and about the performance of its powers and duties under the Trust Agreement and then to the Owners in declaring and enforcing an Event of Default, including compensation to it or their agents, attorneys and counsel;

Second, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, to the payment to the persons entitled thereto of the unpaid principal of any Certificates which shall have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the over due principal and interest at a rate equal to the interest rate paid with respect to such Certificates and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

The Trustee

The Corporation, the District or the Owners of a majority in aggregate principal amount of all Certificates Outstanding may by written agreement among themselves, by thirty (30) days prior written request, remove the Trustee and any successor thereto, and in such event, or in the event the Trustee resigns, the Corporation shall appoint a successor Trustee;

provided, however, that the District and the Corporation shall not remove the Trustee if the District or the Corporation are in default under the Trust Agreement or the Agreement. The Trustee may at any time resign by giving written notice to the Corporation and the District and by giving to the Certificate Owners, notice by mailing a notice of such resignation to their addresses appearing in the Certificate Register. Upon receiving any such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the Corporation does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may petition an appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee shall not become effective until written acceptance of appointment by the successor Trustee under the Trust Agreement.

Whenever in the administration of its duties under the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by the certificate of an Authorized Officer of the Corporation or the District and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof (but shall not be obligated to), accept other evidence of such matter. The Trustee may in good faith buy, sell, own, hold and deal in any of the Certificates executed pursuant to the Trust Agreement, and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as depository, trustee, or agent for any committee or body of Owners of Certificates or other obligations of the District as freely as if it were not Trustee under the Trust Agreement.

The Trustee may execute any of the trusts or powers by the Trust Agreement and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Trust Agreement. Before taking any action by the Trust Agreement the Trustee may require that a satisfactory indemnity bond or other indemnity satisfactory to the Trustee be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct; provided, however, the Trustee shall not seek such indemnity prior to making payments on the Certificates other than payments on the Certificates made after an event of default has occurred and is continuing under the Agreement.

The Trustee, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs. The Trustee shall not be deemed to have knowledge of an event of default under the Agreement until it has actual knowledge thereof, or until notified in writing of such event of default. The Trustee shall not be liable with respect to any action taken or not taken by it in accordance with the direction of the Owners of a majority (or other percentage provided for in the Trust Agreement) in aggregate principal amount of Certificates at the time Outstanding or of

the relating to the exercise of any right or remedy available to the Trustee by the Trust Agreement or under the Agreement or any other trust or power conferred upon the Trustee.

The Trustee shall not be considered in breach of or in default in its obligations by the Trust Agreement or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Site, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

All payments to be made by the Trustee under and pursuant to the Trust Agreement shall be made only from the corpus, income and proceeds of the Trust Estate and only to the extent that the Trustee shall have received sufficient contribution, income and proceeds in accordance with the terms of the Trust Agreement.

Amendment or Supplement by Consent of Owners

The Trust Agreement may be amended in writing by agreement among all of the parties, but no such amendment (except as provided below) shall become effective as to the Owners of the Certificates then Outstanding, and the Owners of a majority in aggregate principal amount of Certificates Outstanding; provided that no such amendment shall impair the right of any Owner to receive his proportionate share of any Lease Payments in accordance with his Certificate of Participation unless consented to by the applicable Certificate Owner. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, but only (1) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement, or (2) in regard to questions arising under the Trust Agreement which the Corporation or the District may deem necessary or desirable and not inconsistent with the Trust Agreement and which shall not materially adversely affect the interests of the Owners; provided that the Corporation, the District and the Trustee may rely in entering into any such amendment of the Trust Agreement upon the opinion of nationally recognized bond counsel stating that the requirements of this sentence shall have been met with respect to such amendment. The Trustee may in its discretion, but shall not be obligated to, enter into any such agreement authorized by the Trust Agreement which adversely affects the Trustee's own rights, duties or immunities under the Trust Agreement or otherwise.

Defeasance

Outstanding Certificates, in whole or in part, shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest with respect to Certificates Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, before maturity, money which, together with the amounts which are then on deposit and available in the Payment Account and the Reserve Fund, is fully sufficient to pay such Certificates Outstanding, including all principal and interest;

(c) by depositing with the Trustee, in trust, non-callable Federal Securities in such amount as a nationally recognized certified public accountant shall determine will, together with the interest to accrue thereon and moneys then on deposit and available in the Payment Account and Reserve Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge such District's share of Certificates (including principal and interest) at or before their respective maturity dates;

(d) by depositing with the Trustee, under an escrow deposit and trust agreement, security for the payment of the Lease Payments as more particularly described in the Agreement, said security to be held by the Trustee, as agent for the District and to be applied by the Trustee to Lease Payments representing the obligation of the District under the Agreement, as described therein.

Notwithstanding that some Certificates may not have been surrendered for payment, all obligations of the Corporation and the Trustee under the Trust Agreement with respect to such Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of such Certificates all sums due thereon and the obligation of the District to indemnify and pay the Trustee in accordance with the Agreement.

Unclaimed Moneys

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any of the Certificates which remains unclaimed for two (2) years after the date when the Lease Payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Certificates have become payable, the Trustee shall pay such amounts to the Corporation as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Corporation for interest and principal represented by such Certificates.

Waiver of Personal Liability

No board member, officer or employee of the Corporation or the District shall be individually or personally liable for the payment of the interest or principal evidenced and represented by the Certificates, but nothing contained in the Trust Agreement shall relieve any board member, officer or employee of the District or the Corporation from the performance of any official duty provided by any applicable provisions of law or by the Agreement or by the Trust Agreement.

Partial Invalidity

If any one or more of the agreements, conditions, covenants or terms contained in the Trust Agreement required to be observed or performed by or on the part of the

Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms by the Trust Agreement and shall in no way affect the validity by the Trust Agreement or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

California Law

The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

THE LEASE AGREEMENT

Definitions

“Acquisition Account” means the Acquisition Account in the Project Fund established and held by the Trustee for the District pursuant to the Trust Agreement.

“Acquisition Costs” means, with respect to the Project, the contract price paid or to be paid to the Contractors therefore upon modification, repair, improvement, acquisition, construction, installation or delivery of any portion of the Project and related equipment, if any, in accordance with the purchase order or contract therefore. Acquisition Costs include the costs of site preparation necessary for the installation of the Project, as well as the administrative, engineering, legal, financial and other costs incurred by the District, the Corporation and the Contractors in connection with the acquisition, construction, delivery and installation by the Corporation of the Project.

“Acquisition Date” means, with respect to each Project, the date specified in the Agreement.

“Assignment Agreement” means the Assignment Agreement, dated as of April 1, 2014, by and between the Corporation and the Trustee relating to the assignment of certain rights of the Corporation under the Lease Agreement.

“Bond Counsel” means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities and selected by the District.

“Business Day” shall have the meaning given in the Trust Agreement.

“Certificate of Completion” means a certificate of the District Representative certifying that all equipment and other property constituting the Project has been acquired, constructed, installed and accepted by the District, and that all Acquisition Costs for the Project have been paid.

“Code” means the Internal Revenue Code of 1986, as amended, including regulations, rulings and judicial decisions promulgated thereunder.

“Contractors” means the contractors or vendors from whom the Corporation, or the District on behalf of the Corporation, has ordered or caused to be ordered, or with whom the

Corporation, or the District on behalf of the Corporation has contracted or caused to be contracted for the acquisition, refinancing, repair, improvements or modification of the Project.

“Corporation” means the CSDA Finance Corporation, a nonprofit, public benefit corporation duly organized and existing under the laws of the State of California.

“District Representative” means the President of the Board of Directors or the General Manager of the District or any other person appointed by the President to act on behalf of the District for the purposes of the Lease Agreement.

“Due Dates” means December 15 and June 15 of each year, commencing December 15, 2014.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the State of California and who is not an employee of the Corporation, the Trustee or the District.

“Insurance Consultant” means any person or firm approved by the Corporation knowledgeable with respect to insurance carried by, required for and available to districts of the same type as the District.

“Insurance and Condemnation Fund” means the fund by that name to be established and held by the Trustee as provided in the Trust Agreement.

“Lease Agreement” or “Agreement” means the Lease Agreement, and any duly authorized and executed amendment thereto.

“Lease Payment” means any payment due from the District to the Corporation under the Lease Agreement.

“Net Proceeds” means, when used with respect to any insurance proceeds or condemnation awards, the net proceeds received by the Trustee from the property or casualty insurance award or condemnation award after deduction for payment of any expenses incurred in the collection thereof.

“Payment Account” means the Account established and held by the Trustee for the District in the Project Trust Fund pursuant to the Trust Agreement.

“Permitted Encumbrances” means, with respect to the Site, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions in the Trust Agreement, permit to remain unpaid; (b) the Lease Agreement; (c) the Trust Agreement; (d) such other encumbrances as are approved, in writing, by the Corporation.

“Principal Amount” means the total unpaid principal portion of the Lease Payments due under the Lease Agreement.

“Project” means, collectively, those certain improvements acquired, constructed, refinanced, modified, improved, repaired and installed from the proceeds of the Certificates deposited in, or transferred to, the Acquisition Account, as shown in the Lease Agreement, and

those certain improvements acquired, constructed, refinanced, modified, improved, repaired and installed from the proceeds of the 1998 Certificates.

“Site” means the real property, and improvements thereon pledged as security for the Certificates, as described in the Lease Agreement.

“Site Lease” means the Site Lease, dated as of April 1, 2014, between the Corporation and the District regarding the lease to the Corporation of the Site.

“Term of the Agreement” or “Term” means the time during which the Lease Agreement is in effect, as provided for in the Lease Agreement.

Representations, Covenants and Warranties of the District

The District represents, covenants and warrants to the Corporation as follows:

(a) The District is a special district, duly organized and validly existing under the laws of the State of California.

(b) The Constitution and the laws of the State of California authorize the District to enter into the Lease Agreement, the Trust Agreement and the Site Lease and to enter into the transactions contemplated thereby and to carry out its obligations under each of the aforesaid Agreements, and the District has duly authorized and executed each of the aforesaid Agreements in accordance with the laws of the State of California.

(c) Neither the execution and delivery of the Lease Agreement, the Trust Agreement or the Site Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under either of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District, or upon the Site, except Permitted Encumbrances.

(d) The District shall take all legal actions necessary to maintain its existence.

(e) The District is currently not subject to the Constitutional or any legislative debt limit.

(f) The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement, the Site Lease and the Lease Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the Lease Agreement that each of the agreements, conditions, covenants and terms contained in the Trust Agreement, the Site Lease and the Lease Agreement is an essential and material term of the lease of and any payment for the Project by the District.

Representations, Covenants and Warranties of the Corporation

The Corporation represents, covenants and warrants to the District as follows:

(a) The Corporation is a nonprofit, public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State of California; has power to enter into the Lease Agreement, the Assignment Agreement, the Site Lease and the Trust Agreement; is possessed of full power to own and hold real and personal property and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) The Corporation will not pledge the Lease Payments or other amounts derived from the Site and from its other rights under the Lease Agreement and the Site Lease and will not encumber the Site, except as provided under the terms of the Lease Agreement, the Site Lease and the Trust Agreement.

(c) Neither the execution and delivery of the Lease Agreement, the Site Lease, the Assignment Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under either of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Site, except Permitted Encumbrances.

(d) Except as provided in the Lease Agreement and in the Assignment Agreement, the Corporation will not assign the Lease Agreement or the Site Lease or its right to receive Lease Payments from the District, or its duties and obligations under the Lease Agreement or the Site Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties of the Corporation.

Acquisition and Construction of the Project

The District will enter into purchase orders and contracts, and will supervise and provide for, or cause to be supervised and provided for, the complete construction, acquisition, refinancing, improvement, repair, modification and installation of the Project. The District agrees that it will cause the work under said contracts to be diligently performed after the deposit of funds with the Trustee pursuant to the Trust Agreement, and that the Project will be constructed, refinanced, improved, repaired, modified, acquired and installed in accordance with the specifications approved by the District on or prior to the Acquisition Date. The District may change the specifications of the Project, so long as such change does not reduce the value of the Project or substantially alter the nature of the Project, and that any increase in Acquisition Costs shall not result from such change, unless, prior to changing the specifications of the Project, the District deposits in the Acquisition Account an amount sufficient to pay such increase. In addition, in the event that the costs of constructing, refinancing, repairing, modifying, improving, acquiring and installing the Project are greater than the amount of money deposited in or transferred to the Acquisition Account, together with investment earnings thereon, the District agrees to deposit into the Acquisition Account an amount of money necessary to pay such increased Acquisition Costs.

Upon completion of construction, acquisition and installation of the Project reasonably satisfactory to the District, but in any event not later than thirty (30) days following completion of such construction, acquisition and installation, the District shall deliver to the Trustee a Certificate of Completion.

Agreement to Lease; Lease Payments

The Corporation leases the Site to the District and the District agrees to lease the Site from the Corporation. The lease of the Site by the Corporation to the District is made expressly subject to the terms and conditions set forth in the Lease Agreement. As rental for the Site the District agrees to pay to the Corporation or its assigns on the Due Dates the Lease Payments. Additionally, the District agrees, in the event moneys on deposit in the Reserve Fund are less than the Reserve Requirement as a result of the valuation of Permitted Investments therein, to pay the Trustee, from any source of legally available funds of the District, including, without limitation, available moneys on deposit in the District's general fund, an amount sufficient to cause the amount on deposit in the Reserve Fund to equal the Reserve Requirement. Such payments to the Trustee shall be paid in twelve (12) equal installments on the first Business Day of each month, commencing on the first Business Day of the month immediately succeeding the date of notice from the Trustee of such deficiency, or may be prepaid at the discretion of the District.

In no event shall the Lease Agreement be terminated due to a breach of the preceding paragraph by the Corporation.

Term of Lease Agreement

The Term of the Lease Agreement shall commence as of the date hereof and shall end on the Termination Date, unless on such date any Certificates of Participation remain Outstanding, in which case the Lease Agreement shall remain in full force and effect while any Certificates of Participation are Outstanding or unless terminated prior thereto as described below.

Subject to the right of the District to request and effect a partial release of the Site as provided hereunder, and subject to the conditions set forth in the Lease Agreement, the Term of the Lease Agreement will terminate upon the earlier of any of the following events:

- (a) the payment or prepayment, in accordance with the provisions of the Lease Agreement, by the District of all Lease Payments and other amounts due during the Term of the Lease Agreement; or
- (b) the occurrence of an event of default under the Lease Agreement, and the termination of the Lease Agreement by the Corporation or its assignee pursuant to the Lease Agreement.

Lease Payments; Pledge of Payment Account

The District agrees to pay to the Corporation or its successors and assigns the Lease Payments on the Due Dates, provided that the District shall receive a credit for any amounts on hand in the Payment Account at the time any Lease Payment is due, and that at such time as the moneys on hand in the Payment Account and in the Reserve Fund are equal to all Lease Payments remaining unpaid, such moneys shall be applied by the Trustee, pursuant to the Trust Agreement, to such Lease Payments, and the District shall not be required to make any further Lease Payments under the Lease Agreement.

Lease Payments shall be paid from moneys on deposit in the Payment Account established pursuant to the Trust Agreement, and from any other source of legally available

funds of the District, and the District covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its budgets, and to make the necessary appropriations for all such Lease Payments. During the Term of the Agreement, the District will furnish to the Trustee, no later than twenty (20) days following adoption of the budget for that fiscal period and in no event later than August 1 in each year, a Certificate of the District Representative that the Lease Payments and additional amounts payable hereunder and under the Trust Agreement due in that fiscal period have been included in the budget approved by the Board of Directors of the District for such fiscal period.

Each Lease Payment shall be payable to the Corporation or its assigns in accordance with the terms of the Lease Agreement and at the times required above in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it, such payment shall continue as an obligation of the District until such amount shall have been fully paid by the District. In the event a Lease Payment is insufficient to make the payments of principal of and interest represented by the Certificates on the next succeeding Interest Payment Date, due to investment losses incurred while on deposit or for any other reason, the District shall immediately pay to the Trustee upon notice therefrom additional amounts to cure such insufficiency.

The District hereby irrevocably pledges for punctual payment of interest, principal, and premium, if any, represented by the Certificates and all other purposes specified in the Lease Agreement, the moneys on deposit in the Payment Account, and such moneys shall be expended only as provided in the Lease Agreement and in the Trust Agreement and shall not be subject to levy or attachment or a lien by or for the benefit of any creditor of either the District, the Trustee or the Corporation, or any of them. Said pledge shall, subject to the Trust Agreement, constitute a security interest in and first lien on such moneys.

Possession and Enjoyment

During the Term of the Agreement, the Corporation shall provide the District with quiet use and enjoyment of the Site, and the District shall, during such Term, peaceably and quietly have and hold and enjoy the Site, without suit, trouble or hindrance from the Corporation, except as expressly set forth in the Lease Agreement. The Corporation will, at the request of the District and at the District's cost, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Site as provided in the Lease Agreement. The Lease Agreement shall not operate as a merger of the District's fee estate in the Site and its leasehold estate in the Site and shall not cause the extinguishment of the leasehold interest granted to the Corporation under the Site Lease.

Title to the Site; No Merger of Estates

During the Term of the Agreement, title to the Site shall remain with the District, and the Corporation will maintain a leasehold interest in the Site and any and all additions, replacements or modifications, except as provided below and except for those modifications which are added to the Site by the District and which may be removed without damaging the Site. The Corporation shall not have any right, title or interest in the Site or in any additions, repairs, replacements or modifications thereto except as expressly provided in the Lease Agreement and the Site Lease. The lease by the Corporation to the District of the Site pursuant to the Agreement shall not effect or result in a merger of the District's leasehold estate pursuant hereto and its fee estate.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the District may secure the payment of Lease Payments and interest thereon by a deposit with the Trustee, as escrow holder under an escrow deposit and trust agreement as referenced in and in conformance with the Trust Agreement, of either (i) cash in an amount which, together with amounts on deposit in the Payment Account and the Reserve Fund, is sufficient to pay all unpaid Lease Payments (and interest thereon), including the principal and interest components thereof, in accordance with the Lease Payment, or (ii) non-callable Federal Securities, together with cash if required, in such amount as will, in the opinion of nationally-recognized bond counsel and of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or non-callable Federal Securities then on deposit in the Payment Account and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their payment dates so that all Certificates relating to the District's Lease Payments shall be defeased as provided for in the Trust Agreement.

In the event of a deposit, and the payment by the District of all other amounts payable by the District, all obligations of the District under the Lease Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Lease Payments (and interest thereon) from the deposit made by District and the obligation to pay amounts due the Trustee. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments (and interest thereon) in accordance with the provisions of the Lease Agreement. Upon payment in full of such Lease Payments, the Corporation's interests and rights to the Site shall vest in the District on the date of said deposit automatically and without further action by the District or the Corporation, provided that such transfer shall be subject to the subsequent payment of Lease Payments from said deposit in accordance with the provisions of the Lease Agreement.

Abatement

The amount of Lease Payments shall be abated, during any period in which by reason of condemnation, damage, title defect or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the District of the Site (other than any portions of the Site described in the Lease Agreement) or any portion thereof. The amount of such abatement shall be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Site not damaged or destroyed. Such abatement shall continue for the period commencing with such condemnation, damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such condemnation, damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. However, notwithstanding any other provisions hereof, there shall be no abatement of Lease Payments hereunder to the extent that the proceeds of an eminent domain or insurance award, including rental insurance as set forth in the Lease Agreement, are available to pay Lease Payments or to the extent that moneys are available in the Payment Account or the Reserve Fund, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Substitution of Site

So long as no event of default specified in the Lease Agreement shall have occurred and be continuing, the Corporation and the Trustee shall release the Site or appropriate portion thereof from the Corporation's interest in the Site or portion thereof under the Site Lease and shall execute all documents necessary or appropriate to convey or reconvey or release from the Site Lease such Site or portion thereof to the District, free of all restrictions and encumbrances imposed or created by the Lease Agreement or the Trust Agreement, upon receipt by the Trustee and the Corporation of the following:

- (a) a written request of a District Representative for such release, describing the Site or portion thereof to be released;
- (b) a certificate of a District Representative certifying:
 - (i) the fair market value of the Site or portion thereof to be released and the fair market value, taking into account all encumbrances set forth in the title policy described in (d) below, of any real property to be substituted for such Site or portion thereof to be released;
 - (ii) the disposition to be made of the Site or portion thereof to be released and the consideration, if any, to be received therefore;
 - (iii) that the disposition of the Site or portion thereof to be released and the substitution therefore of the real property to be substituted for such Site or portion thereof to be released, if any, will not materially adversely affect the governmental functions of the District or its ability to fulfill its obligations under the Lease Agreement;
 - (iv) that any real property to be substituted for the Site or portion thereof to be released is necessary or useful to the governmental functions of the District, and has an equivalent or longer remaining useful life; and
 - (v) that the fair market value, taking into account all encumbrances set forth in the title policy described in (d) below, of the real property to be substituted, together with cash to be paid by the District to the Trustee, if any, is at least equal to the lesser of the fair market value of the Site or portion thereof to be released or 125% of the Principal Amount of Lease Payments;
- (c) current appraisals of the fair market value of the Site or portion thereof to be released and the fair market value, taking into account all encumbrances set forth in the title policy described in (d) below and of any real property to be substituted therefore, respectively, shall be prepared by a member of the American Institute of Real Estate Appraisers (MAI) (who may be an employee of the District) supporting the certifications of (b) above;

- (d) supplements and amendments to the Lease Agreement and any other documents necessary to subject to the lien of the Lease Agreement any real property to be substituted for the Site or portion thereof to be released from the lien of the Lease Agreement or to release the Site or portion thereof to be released from the lien of the Lease Agreement;
- (e) an opinion of Bond Counsel to the effect that such release and substitution of property, if any, is permitted under the Lease Agreement and will not adversely affect the exclusion of the interest component of Lease Payments from gross income for federal income tax purposes; and
- (f) evidence that notice of such substitution or release has been provided to S&P at least fifteen (15) days prior to the effective date thereof.

The release of any Site or portion thereof shall not entitle the District to any postponement, abatement or diminution of the Lease Payments or other payments required to be made hereunder. The Trustee shall be entitled to rely upon an opinion of Bond Counsel to the effect that the foregoing requirements have been met.

Maintenance and Taxes

Throughout the Term of the Agreement, as part of the consideration for the rental of the Site, all improvement, repair and maintenance of the Site shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Site resulting from ordinary wear and tear or want of care on the part of the District. The District shall comply with manufacturer or vendor requirements with respect to proper maintenance of the Site, if any. In exchange for the Lease Payments in the Lease Agreement provided, the Corporation agrees to provide only the Site. The District shall use and maintain the Site in compliance with all applicable federal, state and local environmental laws and regulations.

The District shall also pay or cause to be paid to the Corporation all taxes of any type or nature charged to the Corporation or affecting the Project, the Site or the respective interests or estates therein, including, but not limited to, any sales tax, or affecting the amount available to the Corporation from Lease Payments received under the Lease Agreement for the retirement of the Certificates (including taxes or assessments assessed or levied by any governmental agency or district having power to levy taxes or assessments); provided, that with respect to governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Agreement as and when the same shall become due.

Modification of Site

The District shall, at its own expense, have the right to remodel the Site or to make additions and modifications thereto; provided, however, that, except in connection with the Acquisition of the Project, any remodeling, additions or modifications which materially adversely affect the value of the Site shall require the prior written consent of the Corporation. All such additions and modifications shall thereafter comprise part of the Site and be subject to the provisions of the Lease Agreement. Such additions and modifications shall not in any way damage the Site, substantially alter its nature or cause it to be used for purposes other than

those authorized under the provisions of state and federal law; and the Site, upon completion of any additions and modifications made pursuant to this paragraph, shall be of a value which is equal to or greater than the value of the Site immediately prior to the making of such additions or modifications. The District will not permit any mechanic's or other lien to be established or remain against the Site for labor or materials furnished in connection with any remodeling, additions, modifications, repairs, renewals or replacements made by the District pursuant to this paragraph; provided that if any such lien is established and the District shall first notify the Corporation of the District's intention to do so, the District may, in good faith, contest and diligently pursue to conclusion any lien filed or established against the Site and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, and shall, at the time of commencement of such contest, provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in a form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Public Liability and Property Damage Insurance

The District shall maintain or cause to be maintained, throughout the Term of the Agreement a standard comprehensive general insurance policy or policies in protection of the Corporation and the District and their members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the acquisition or operation of the Site. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death per person and \$1,250,000 for personal injury or deaths per event (subject to a deductible clause of not to exceed \$50,000) and property damage insurance in the minimum coverage of \$500,000. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$1,250,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the District.

Fire and Extended Coverage Insurance

The District shall procure, or cause to be procured, and maintain throughout the Term of the Agreement insurance against loss or damage to any part of the Site by fire, flood and lightning, with extended coverage and vandalism and malicious mischief insurance, subject to such deductibles as are reasonable to the District. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, sprinkler damage, boiler explosion and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to 100% of the principal amount of the Certificates then Outstanding relating to the Lease Payments. Such insurance shall be maintained with reputable insurers, and may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the District.

Rental Interruption Insurance

The District shall procure, and maintain through the remainder of the Term of the Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any structures constituting any part of the Site during the remainder of the Term of

the Agreement as a result of any of the hazards covered in the insurance required by the preceding paragraph and which causes abatement of the Lease Payments, as specified in the Abatement section above, in an amount at least equal to the sum of the Lease Payments due in the then applicable Fiscal Year together with the Lease Payments due in the next succeeding Fiscal Year. The District hereby assigns to the Corporation all right of the District to collect and receive Net Proceeds under any of said policies, which right has been assigned by the Corporation to the Trustee pursuant to the Assignment Agreement. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Payment Account and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

The District shall be permitted to self-insure for rental interruption or use and occupancy insurance required above, so long as:

- (1) the District segregates a designated reserve for such loss;
- (2) the District's liability under such self-insurance program is limited to amounts on hand in such segregated reserve;
- (3) the combined coverage under such self-insurance program and any other rental interruption or use and occupancy insurance are equal to Lease Payments due in the then applicable Fiscal Year; and
- (4) the amount on hand in such segregated reserve will not, in the opinion of Bond Counsel, cause the Lease Agreement to become an "arbitrage bond" within the meaning of Section 148(a) of the Code.

Insurance Net Proceeds; Form of Policies

The policies of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement. The Net Proceeds of such insurance shall be paid to the Trustee to be applied as provided in the Trust Agreement or the Lease Agreement, as the case may be. In lieu of obtaining insurance coverage as required by the Lease Agreement, such coverage may be maintained by the District in the form of participation in a self-funding joint powers authority, or in the form of self-insurance so long as the District certifies to the Trustee and the Corporation that (a) the District has segregated amounts in a special insurance reserve meeting the requirements and restricted specifically to the Site, and (b) an Insurance Consultant certifies annually, on or before December 1 of each year in which self-insurance is maintained, in writing to the Trustee and the Corporation that the District's general insurance reserves are adequate to provide the necessary coverage and the Trustee may conclusively rely thereon.

All such policies shall provide that the Trustee shall be a named insured and loss payee thereunder, and the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance in the Lease Agreement required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to in good faith by the Trustee. The District shall cause to be delivered to the Trustee on the Closing Date and each December 1 thereafter, commencing December 1, 2014, a certificate of a District Representative, substantially in the form attached to the Lease Agreement, to the effect that the insurance coverage required by the

Lease Agreement is in full force and effect. The Trustee shall be entitled to rely upon such certificate of the District as to the District's compliance with this section.

Advances

If the District shall fail to perform any of its obligations, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money to the District, and the District shall be obligated to repay all such advances as soon as possible, with interest at the highest rate permitted by law from the date of the advance to the date of repayment, but in no event shall such rate exceed the maximum legal rate of interest.

Liens

The District shall not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Site, other than the respective rights of the Corporation and the District as provided in the Lease Agreement and Permitted Encumbrances. The District shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim for which it is responsible, if the same shall arise at any time. The District shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such pledge, lien, charge, encumbrance or claim.

Eminent Domain

If all or part of the Site is taken under the power of eminent domain, the Net Proceeds from any award resulting therefrom shall be deposited with the Trustee pursuant to the Lease Agreement and the District Representative shall file a certificate with the Trustee as provided in the Trust Agreement. The Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary; provided, there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Site. The District covenants to contest any eminent domain award which is insufficient to either: (i) prepay the Certificates in whole, if all of the Site is condemned; or (ii) prepay a pro rata share of Certificates, in the event that less than all of the Site is condemned.

Application of Net Proceeds

The Net Proceeds of any insurance award resulting from any damage to or destruction of the Site by fire or other casualty shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trustee pursuant to the Trust Agreement; provided, that unless the District prepays all remaining Lease Payments due thereunder, the District shall use such proceeds to repair or replace the Site.

The Net Proceeds of any eminent domain award resulting from any event described in the Lease Agreement shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trustee pursuant to the Trust Agreement.

Maintenance and Operation of the Project; Budgets

The District will maintain and preserve the Project in good repair and working order at all times and will operate the Project in an efficient and economical manner and will pay all Operation Expenses as they become due and payable.

Tax Matters

The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with respect to the Certificates to become includable in gross income for federal income tax purposes. To that end, the District makes the following specific covenants:

(a) The District covenants that it shall not make or permit any use of the proceeds of the Certificates that may cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of the Certificates will not be used as to cause the proceeds on the Certificates to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(c) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Notwithstanding any other provision of the Lease Agreement to the contrary, upon the District's failure to observe, or refusal to comply with, the foregoing covenant, no person other than the Trustee or the Owners of the Certificates shall be entitled to exercise any right or remedy provided to the above Owners under the Lease Agreement or the Trust Agreement on the basis of the District's failure to observe, or refusal to comply with, the covenant.

Use of Eminent Domain

The District covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Site. The District further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District should fail or refuse to abide by such covenant and condemns the Site, the appraised value of the Site shall not be less than the greater of (i) if such Certificates are then subject to prepayment, the principal and interest components of the Certificates relating to the Lease Payments outstanding through the date of their prepayment, or (ii) if such Certificates are not then subject to prepayment, the amount necessary to defease such Certificates relating to the Lease Payments to the first available prepayment date in accordance with the Trust Agreement.

Against Sale or Other Disposition of the Project

The District will not sell, lease, encumber or otherwise dispose of the Project while the Certificates are Outstanding; provided however, any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the

Project, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof.

Access to the Project and Site

The District agrees that the Corporation, any Corporation Representative and their successors or assigns, shall have the right at all reasonable times to examine and inspect the Project and the Site. The District further agrees that the Corporation, any such Representative, and the Corporation's successors or assigns shall have such rights of access to the Site as may be reasonably necessary to cause the proper maintenance of the Site in the event of failure by the District to perform its obligations under the Lease Agreement or as may be necessary to exercise its remedies hereunder; provided, however, that the Corporation's assignee shall not be required to cause such proper maintenance.

Assignment by Corporation

The District understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, under the Assignment Agreement, for the benefit of the Owners of the Certificates, and the District assents to such assignment.

Assignment and Subleasing by the District

The Lease Agreement may be assigned or subleased by the District, provided that any sublease or assignment shall be subject to all of the following conditions:

(a) The Lease Agreement and the obligation of the District to make Lease Payments under the Lease Agreement shall remain obligations of the District;

(b) The sublessee or assignee shall assume the obligations of the District under the Lease Agreement to the extent of the interest subleased or assigned;

(c) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease or assignment and an opinion of an attorney regarding the enforceability of such sublease or assignment;

(d) No such sublease or assignment by the District shall cause the Site or the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California, except for Permitted Encumbrances; and

(e) The District shall have delivered to the Trustee an opinion of nationally recognized bond counsel to the effect that such sublease or assignment shall not cause the interest component of the Lease Payments due with respect to the Certificates to become subject to federal income taxes or State of California income taxes.

Events of Default Defined

The following shall be "events of default" under the Lease Agreement and the terms "events of default" and "default" shall mean, whenever they are used in the Lease Agreement, with respect to the Site and the Project, any one or more of the following events:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified in the Lease Agreement;

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee; provided, however, subject to the Trust Agreement, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected to the satisfaction of the Corporation; or

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or the filing of an involuntary petition in bankruptcy against the District which petition shall not have been withdrawn within sixty (60) days, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors; or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy law, or under any similar acts which may hereafter be enacted.

Remedies on Default

Whenever any event of default referred to in the Lease Agreement shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable, each and every covenant hereof to be kept and performed by the District is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Site, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions contained in the Lease Agreement and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Corporation does not elect to terminate the Lease Agreement in the manner hereinafter provided for in subparagraph (b), the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Site, or, in the event the Corporation does not re-lease the Site, then for the full amount of all Lease Payments to the end of the Term of the Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as herein-above provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by

the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Site or the exercise of any other remedy by the Corporation. The District hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Site in the event of default by the District in the performance of any covenants contained in the Lease Agreement to be performed by the District and to remove all personal property whatsoever situated upon the Site to place such property in storage or other suitable place in the County of Alameda, for the account of and at the expense of the District, and the District hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Site and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained. The District hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Site as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Site and all claims for damages to or loss of any property belonging to the District that may be in or upon the Site. The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Site in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b). The District further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Site.

(b) In the event of the termination of the Lease Agreement by the Corporation in the manner hereinafter provided on account of default by the District (and notwithstanding any re-entry upon the Site by the Corporation in any manner whatsoever or the re-leasing or sale of the Site), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be the absolute property of the Corporation and the District shall have no right thereto, nor shall the District be entitled to any credit in the event of a deficiency in the rentals received by the Corporation from the Site. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Site or of the remainder of the Term hereof or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

No Remedy Exclusive

No remedy in the Lease Agreement conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to them, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

No Additional Waiver Implied by One Waiver

In the event any covenant contained in the Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Lease Agreement.

Amendments, Changes and Modifications

The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) without the consent of the Trustee or any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved in the Lease Agreement to or conferred upon the District;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, to conform to the original intention of the District and the Corporation;
- (iii) to modify, amend or supplement the Lease Agreement in such manner as to assure that the interest with respect to the Certificates remains excluded from gross income under the Code;
- (iv) to amend the description of the Site to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property;
- (v) to obligate the District to pay additional amounts of rental for the use and occupancy of the Site, but only if (A) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the District is authorized to expend

funds subject to its control, (B) the District has obtained and filed with the Trustee an appraisal showing that the appraised value of the Site is at least equal to the aggregate principal amount of the Outstanding Certificates and all such other bonds, notes, leases or other obligations, and (C) the District has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates; or

- (vi) in any other respect whatsoever as the Corporation and the District deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates.

No such modification or amendment shall (a) extend or have the effect of extending any Due Date or reducing any Lease Payment, without the express consent of the Owners of the affected Certificates, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

Net-Net-Net Lease

The Lease Agreement shall be deemed and construed to be a “net-net-net lease” and the District hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

Further Assurances and Corrective Instruments

The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project or the Site hereby leased or intended so to be or for carrying out the expressed intention of the Lease Agreement.

Applicable Law

The Lease Agreement shall be governed by and construed in accordance with the laws of the State of California.

APPENDIX B

ALAMEDA COUNTY GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

The following information is supplied only for general information on the certain demographics of the area in which the District is located. Neither the Certificates, nor the obligations of the District under Lease Agreement, is a debt of Alameda County, nor is Alameda County liable therefor. The principal of, premium, if any, and interest with respect to the Certificates ultimately are payable from and secured by certain amounts payable by the District to the Corporation under the Lease Agreement.

General

The County of Alameda (the "County") is located on the east side of the San Francisco Bay, south of the City of Oakland and approximately ten miles west of the City of San Francisco. Access to San Francisco is provided by the San Francisco Bay Bridge. The northern part of the County has direct access to San Francisco Bay and the City of San Francisco. It is highly diversified with residential areas, as well as traditional heavy industry, the University of California at Berkeley, the Port of Oakland, and sophisticated manufacturing, computer services and biotechnology firms. The middle of the County is also highly developed including older established residential and industrial areas. The southeastern corner of the County has seen strong growth in residential development and manufacturing, and many high-tech firms have moved from neighboring Silicon Valley. The southwestern corner of the County has seen the most development in recent years due to land availability. Agriculture and the rural characteristics of this area are disappearing as the region maintains its position as the fastest growing residential, commercial and industrial part of the County.

Population

The following table lists population estimates for the County and the State for the last five calendar years, as of January 1.

ALAMEDA COUNTY
Population Estimates
Calendar Years 2009 through 2013 as of January 1

	2009	2010	2011	2012	2013
Alameda	73,166	73,717	74,052	74,544	75,126
Albany	18,196	18,481	18,345	18,467	18,430
Berkeley	110,982	112,363	113,925	114,688	115,716
Dublin	45,104	45,681	46,207	46,729	49,890
Emeryville	9,702	9,795	10,110	10,186	10,269
Fremont	211,506	213,524	215,391	217,416	219,926
Hayward	142,642	143,921	145,101	146,923	148,756
Livermore	80,482	80,932	81,547	82,293	83,325
Newark	42,429	42,592	42,700	42,985	43,342
Oakland	389,913	391,475	392,333	394,832	399,326
Piedmont	10,638	10,674	10,710	10,793	10,889
Pleasanton	69,579	70,135	70,537	71,176	71,871
San Leandro	83,951	84,831	85,364	85,941	86,666
Union City	69,108	69,625	69,746	70,554	71,329
Unincorporated County	140,401	141,494	141,688	142,649	143,820
County Total	1,497,799	1,509,240	1,517,756	1,530,176	1,548,681

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The unemployment rate in the Oakland-Fremont-Hayward Metropolitan Division was 6.8% in November 2013, down from a revised 7.0% in October 2013, and below the year-ago estimate of 8.3%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period. The unemployment rate was 6.8% in Alameda County, and 6.8% in Contra Costa County.

OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION ALAMEDA COUNTY Civilian Labor Force, Employment and Unemployment; Employment by Industry (Annual Averages)

	2008	2009	2010	2011	2012
Civilian Labor Force ⁽¹⁾	1,282,100	1,285,800	1,284,600	1,285,000	1,299,200
Employment	1,203,000	1,152,700	1,140,600	1,151,600	1,181,500
Unemployment	79,100	133,100	143,900	133,400	117,800
Unemployment Rate	6.2%	10.4%	11.2%	10.4%	9.1%
Wage and Salary Employment: ⁽²⁾					
Agriculture	1,400	1,400	1,400	1,600	1,600
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	64,900	53,500	47,400	46,300	48,500
Manufacturing	93,100	82,800	79,700	79,000	77,600
Wholesale Trade	47,600	43,700	41,800	42,000	43,800
Retail Trade	109,400	102,100	100,300	100,300	101,500
Transportation, Warehousing, Information	35,900	33,200	31,500	31,600	32,200
Finance and Insurance	27,800	25,300	23,600	22,700	22,900
Real Estate and Rental and Leasing	36,200	32,500	33,000	32,600	31,600
Professional and Business Services	16,500	15,500	15,200	14,700	14,200
Educational and Health Services	162,400	148,700	152,100	154,200	158,200
Leisure and Hospitality	133,000	137,200	136,400	137,500	143,300
Other Services	89,100	85,100	85,800	87,300	88,600
Federal Government	36,100	34,700	35,000	35,900	36,700
State Government	17,100	16,700	15,700	14,600	14,200
Local Government	39,100	39,000	38,100	38,400	39,100
Total, All Industries ⁽³⁾	121,100	116,900	111,500	109,500	109,200
	1,031,800	969,400	949,700	949,300	964,400

Source: State of California Employment Development Department.

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

The following table shows the major employers in the County as of January 2013, listed in alphabetical order.

ALAMEDA COUNTY
Major Employers (Listed alphabetically)
January 2013

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff Dept.	Pleasanton	Sheriff
Alta Bates Medical Ctr Inc.	Berkeley	Hospital
Alta Bates Medical Ctr Inc.	Oakland	Hospital
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Berkeley Coin & Stamp	Berkeley	Coin Dealers Supplies & Etc.
California State College- East Bay	Hayward	College
Children's Hospital & Research	Oakland	Physicians & Surgeons
Clorox Co.	Oakland	Specialty Cleaning Plshng/Sanitation (Mfrs)
Cooper Vision Inc.	Pleasanton	Contact Lenses
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Physicians & Surgeons
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Ctr	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore Natl Lab	Livermore	Laboratories-Testing
Residential & Student Service Program	Berkeley	College/University
Safeway	Pleasanton	Retail Grocer
Tesla Motors	Fremont	Automobile Dealers
Transportation Dept-California	Oakland	State Government-Transportation Programs
University Of Cal-Berkeley	Berkeley	Schools-Universities & Colleges Academic
Univ. Of Cal-Dept Education Outreach	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital Healthcare	Fremont	Hospital
Waste Management Inc.	Oakland	Garbage Collection

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition.

Construction Activity

Provided below are the building permits and valuations for the County for calendar years 2008 through 2012.

ALAMEDA COUNTY					
Total Building Permit Valuations (Valuations in Thousands)					
Permit Valuation	2008	2009	2010	2011	2012
New Single-family	\$238,743.0	\$227,982.5	\$276,660.5	\$269,312.8	\$372,939.4
New Multi-family	201,122.3	96,518.0	157,459.3	249,684.1	343,669.8
Res. Alterations/Additions	285,782.4	229,873.2	243,289.9	273,631.8	235,264.8
Total Residential	\$725,647.7	554,373.7	677,409.6	792,628.7	951,874
New Commercial	197,181.1	72,055.6	14,689.1	261,804.2	94,705.8
New Industrial	60,200.0	89,535.4	82,475.8	17,485.7	29,808.2
New Other	95,640.7	45,100.3	69,060.1	37,504.6	6,764.1
Com. Alterations/Additions	457,412.5	391,295.8	398,430.5	392,163.7	352,261.1
Total Nonresidential	\$810,434.3	\$597,987.1	\$564,655.4	\$708,958.2	483,539.2
New Dwelling Units					
Single Family	761	802	907	817	1,119
Multiple Family	1,296	536	936	1,352	1,508
TOTAL	2,057	1,338	1,843	2,169	2,627

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2008 through 2012.

**City of Dublin; County of Alameda
Effective Buying Income
As of January 1, 2008 through 2012**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	Alameda County	\$38,889,500	\$55,987
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Alameda County	\$40,053,865	\$57,997
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	Alameda County	\$38,097,873	\$54,734
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Alameda County	\$39,064,683	\$54,542
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	Alameda County	\$43,677,855	\$55,396
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

Total taxable transactions during the first two quarters of calendar year 2012 in the County were reported to be \$12.1 billion, a 9.3% increase over the total taxable transactions of \$11.1 billion reported during the first two quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. Annual figures are not yet available for 2012.

COUNTY OF ALAMEDA
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2007	19,554	\$15,664,940	42,014	\$25,831,140
2008	20,186	14,547,749	41,783	23,862,947
2009 (1)	24,596	12,641,415	38,663	20,430,195
2010 (1)	26,241	13,374,283	40,348	21,541,741
2011 (1)	24,809	14,519,756	38,577	23,430,799

(1) Retail Stores sales not comparable to prior years. "Retail" category now includes Food Services.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2012/13

(THIS PAGE INTENTIONALLY LEFT BLANK)



HAYWARD AREA RECREATION AND PARK DISTRICT

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2013

HAYWARD AREA RECREATION AND PARK DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2013

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 Position	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 Position	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 Position – Proprietary Fund	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – 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
Supplementary Information	
Schedule of Expenditures of Federal Awards	51
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>	52-53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROLS OVER COMPLIANCE REQUIRED BY THE OMB CIRCULAR A-133	54-55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	56-60
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS	61

**HAYWARD AREA RECREATION AND PARK DISTRICT
BOARD OF DIRECTORS
JUNE 30, 2013**

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, schedule of funding progress for defined benefit pension plans and other postemployment benefits 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014 on our consideration of the District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "RS Associates". The letters are stylized and cursive.

San Ramon, California
March 13, 2014

**HAYWARD AREA RECREATION AND PARK DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013.

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 position was \$72,232K as of June 30, 2013. Of this amount, \$229K was restricted for specified purpose; \$61,234K was invested in capital assets (net of related debt) and \$10,769K in unrestricted net position which was available to meet the government's operations and ongoing obligations to citizens and creditors other than those that was provided for with restricted resources.
- Entity-wide Governmental changes in net position was \$3,005K, an increase of \$2,537K from fiscal year 2012. Total revenue increased by \$3,073K which was offset by an increase in expenditure of \$536K comparing to those of fiscal year 2012.
- The District's gross long-term debt, excluding unamortized discount and issuance costs, decreased by \$54K mainly due to the \$508K pay down of existing loan, payoff \$198K of one of Bank of the West loans, \$47K write-off of balances of 5 capital leased vehicles returned to the lessor. The decrease was offset by the addition of new 7 capital lease vehicle principal of 207K, the new Bank of the West Line-of-Credit of \$490K, and the increase of compensated absences of \$3K.

Fund Level

- Governmental Fund balance at the end of June 30, 2013 was \$10 million. Approximate 79% of it, \$8 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 \$8 million or 32% of the total General Fund expenditures of \$25.3 million.
- Other Financing Sources/Uses for all funds netted to a positive \$383K, which is the result of the transfer of funds between the General Fund, the Capital Project Fund, Other Governmental Funds, the Proprietary Fund, and the new Bank of the West Line-of-Credit of \$490K and new addition of vehicle capital lease of \$207K.

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 three parts:

- (1) The Government-wide Financial Statements
- (2) The Fund Financial Statements
- (3) Notes to the Financial Statements

(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 Position 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 Position 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.

Comparisons of Budget and Actual financial information are presented only for the General Fund, as required by GASB 34.

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 Position 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.

Financial Analysis

(A) Government-wide Financial Analysis

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

Analysis of Net Position

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Investments	\$ 10,134,127	\$ 9,952,384
Restricted Cash and investment held by fiscal agent	231,500	231,500
Other Assets	2,129,723	924,281
Capital Assets	<u>63,946,540</u>	<u>62,694,477</u>
Total Assets	<u>\$ 76,441,890</u>	<u>\$ 73,802,642</u>
Liabilities		
Current Portion of Long-Term Debts	1,005,268	567,053
Long-Term Liabilities, Net of Current Portion	2,406,497	2,898,647
Other Liabilities	<u>7,98,619</u>	<u>1,110,831</u>
Total Liabilities	<u>\$ 4,210,384</u>	<u>\$ 4,576,531</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 61,234,054	\$ 59,911,332
Restricted	228,898	228,136
Unrestricted	<u>10,768,554</u>	<u>9,086,643</u>
Total Net Position	<u>\$ 72,231,506</u>	<u>\$ 69,226,111</u>

Net Position reflects the District's financial position. Net Position amounted to \$72.2 million as of June 30, 2013. The largest portion of the District's net Position 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 Position, \$229K, 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 Position consisted the following:

- Cash and investments of \$10.1 million, as detailed in note 2 of the Financial Statements
- Current receivables totaling \$1,423K
- Resale inventory totaling \$131K
- Restricted cash and investment held by fiscal agent of \$232K
- Net pension obligation asset-OPEB of \$537K
- Capital assets net of depreciation and amortization of \$64 million
- Long-term debt issuance costs net of amortization of \$39K
- Current liabilities, including accounts payable, accrued payroll, interest payable, sales tax payable, gift certificates, and the current portion of the long term debt totaling \$1.8 million
- Accrued compensated absence liability payable to employees of \$660K, as explained in note 4 of the Financial Statements
- Long term debt totaling \$2.75 million, with the current portion being \$1 million, as detailed in note 4 of the Financial Statements
- Unrestricted net Position totaling \$10.8 million

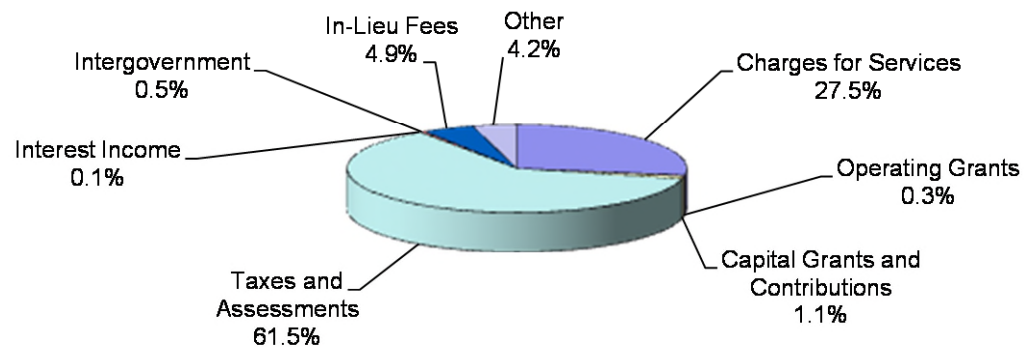
	Change in Net Position	
	<u>June 30,</u>	
	2013	2012
Revenue		
Program Revenue		
Charges for Services	\$ 8,329,383	\$ 8,142,608
Operating Grants	90,140	102,194
Capital Grants and Contributions	334,866	562,140
General Revenue		
Taxes and Assessments	18,621,001	17,102,268
Interest Income	17,311	27,814
Intergovernment	128,644	130,670
In-Lieu Fees	1,495,082	768,962
Other	1,278,258	384,891
Total Revenue	<u>30,294,685</u>	<u>27,221,547</u>
Expense		
District Management	1,335,011	1,580,067
OPEB Funding	973,436	866,806
Recreation Programs	8,717,376	8,669,178
Park Programs	10,621,208	10,063,093
Golf Courses	3,425,912	3,371,508
Interest on Long-Term Debt	145,973	173,138

Unallocated Depreciation	<u>2,070,374</u>	<u>2,029,040</u>
Total Expenses	<u>27,289,290</u>	<u>26,752,830</u>
Increase/(Decrease) of Net Position	3,005,395	468,717
Net Position – Beginning Balances	<u>69,226,111</u>	<u>68,757,394</u>
Net Position – Ending Balance	\$ <u>72,231,506</u>	\$ <u>69,226,111</u>

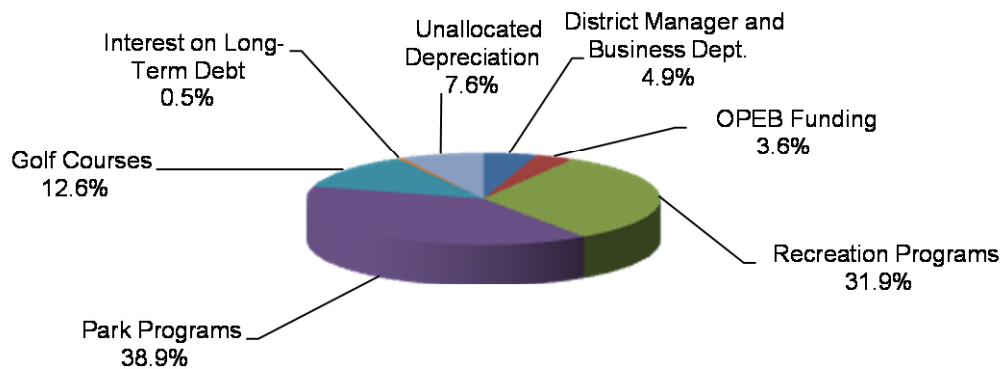
The statement of change in net Position represents program revenue, general revenue and general expenses. Charges for services include recreation program registration fees, recreation program and facility admission fees, facility rental fees, facility maintenance fees, golf course activities and equipment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

Revenue by Sources



Functional Expenses



The sources of revenue chart shows:

\$18.6 million or 61.5% came from tax revenue,
\$8.3 million or 27.5% came from charges for services,
\$1.5 million or 4.9% came from in-lieu fees,
\$335K or 1.1% came from capital improvement grants and contributions,
\$1.3 million or 4.2% came from miscellaneous revenue,
\$129K or 0.5% came from inter government,
\$90K or 0.3% came from operating grants,
and \$17K 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, \$1.34 million or 4.9% of total government expenses,
Funding the OPEB annual requirement contribution of \$973K was 3.6% of total government expenses,
Recreation Programs were \$8.72 million or 31.9% of total government expenses,
Park Programs were \$10.6 million or 38.9% of total government expenses,
Golf Courses were \$3.43 million or 12.6% of total government expense,
Unallocated Depreciation were \$2.07 million or 7.6% of total government expenses,
and interest on long term debt is \$146K or 0.5% of total governmental expenses.

Analysis of Changes in Net Position

The District's net position increased by \$2.5 million for the fiscal year ended June 30, 2013. Comparing to those of fiscal year ended June 30, 2012, total revenue increased by \$3.07 million and total expenditures increased by \$536K.

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

(1) Revenue

Program Revenue

- Capital Grants and Contribution decreased by \$227K from that of fiscal year 2012. Capital Grants and Contribution are reimbursements of capital project costs from the State of California, the Alameda County, the City of Hayward, East Bay Regional Park District Measure WW and others. The decrease was due to receiving additional \$312K from Measure WW and the State for capital projects of Meek West Terrace Landscaping, JA Holland Park land cleanup and development in the fiscal year 2012.
- Charges for Services increased by \$187K or 2.29% during the period comparing to fiscal year 2012. Major differences incurred in the following areas:
 - Recreation Department charge for service increased by \$285K or 6.6% from last fiscal year. Main reason was additional programming initiated in fiscal year 2013 and receiving \$72K more for past due MJCC program payment from the City of Hayward.
 - Golf Department revenue decreased by \$166K or 6% mainly due to \$156K decrease in green fees and \$11K power cart rental revenue.
 - Park Department revenue increased by \$68K or 9% mainly due to \$43K more on all Park Assessment income and \$22K more on the Kennedy Amusement Park revenue.

General Revenue

- Taxes and assessments increased by \$1.5 million from fiscal year 2012. It was mainly due to receiving of \$1.1 million more Residual Distribution of Property Tax from the dissolution of the Redevelopment Agency and \$446K more in current year secured taxes due to increase in assessed value.
- In-lieu fees increased by \$726K or 94.43% from the previous year. It was the result of receiving \$1.35 million City of Hayward in-lieu fees and \$130K Alameda County in-lieu fee for various capital projects completed, e.g. senior center kitchen upgrade, Skywest Golf Course cart path, Sorensdale kitchen upgrade, Russ restroom ADA project, San Lorenzo community park master plan, Fairmont Terrace Park master plan.
- Other revenue increased by \$893K or 232% comparing to fiscal year 2012. It was mainly caused by the \$708K State of California Emergency Management Agency disaster grants received on prior year projects, \$331K worth of property donated by Castro Valley Veterans of Foreign Wars, \$93K CAPRI dividends received, \$36K CAPRI property damage claim received, \$41K sales proceeds from returned capital leased vehicles, and \$44K of other donation received.

(2) Expenses

Total expenditures increased by \$536K million or 2.01% during the fiscal year. Major differences from those in the fiscal year ended June 30, 2012 were:

- Total salary, wage and benefits increased by \$321K of which Business Dept. decreased by \$38K, Park Dept. increased by \$241K, Recreation Dept. increased by \$48K, and Golf Dept. increased by \$70K.

The increase was due to:

- \$66K CalPERS employer portion due to increase in CalPERS rate and higher employee salary,
- \$209K increase in the Park Department of filling vacant positions and employee back from leave in the fiscal year before,
- \$107K increase in employee group insurance,
- \$107K more in OPEB (Other Postemployee Health Benefit) funding in the fiscal year 2013 versus that in the fiscal year 2012 based on Nicolay Consulting's report.

The increase in cost was offset by:

- Two large vacation payouts totaling \$38K due to retirement in the Business Department in fiscal year 2012,
 - The General Manager's position was not filled part of the fiscal year and the the Business Manager position was not filled,
 - CalPERS employee portion-employees' additional 2% contribution of their salary to the cost,
 - \$172K decrease in worker's comp due to a more favorable experience modification.
- Other services and supply costs increased by \$332K due to the following:
 - \$224K more in the District's water usage,
 - \$148K more in the tree abatement,

- \$68K more in the professional service by programming increase in the Youth Sports, Dances, Fitness, Tennis, and Martial Arts,
- \$58K more in the special project repair and maintenance,
- \$55K more in the sewer cost,

The increase in cost was offset by:

- \$122K decrease in the buildings and grounds repair and maintenance,
 - \$37K less in the food expenditure mainly due to elimination of nutrition services in the Senior Adult Programs.
- Capitalized equipment costs increased by \$39K mainly caused by the purchases of the Disability Accessibility Intake and Management software, the Co-Gen replacement unit, and two lawn mowers purchased in the fiscal year 2013.
 - Interest on long-term debt decreased by \$27K.
 - Depreciation expenditure was \$2 million for the fiscal year and the reduction of accumulated depreciation was \$305K 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, 2013, the District's governmental funds reported combined ending fund balances of \$10 million, an increase of \$1.2 million or 13.93% from the prior year. The unassigned \$7.96 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 \$1.76 million
- For inventory on hand \$131K
- For restricted fund balance \$232K

Revenues for governmental funds totaled \$30 million for the year ended June 30, 2013, which represented an increase of \$3.2 million or 11.87% from the prior year. Expenditures for governmental funds, totaling \$29.4 million represented an increase of \$2.1 million or 7.7% from the prior year.

In fiscal year 2013, total governmental fund revenue exceeded expenditures by \$850K versus an expenditures exceeded revenue by \$257K in the year before.

(1) General Fund

The General Fund is the chief operating fund of the District. At the end of fiscal year 2013, the unassigned fund balance for the General Fund was \$7.96 million and the total fund balance was \$8.12 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 31.4% of total General Fund expenditures of \$25.3 million. The total fund balance was 32.07% of total General Fund expenditures. The prior fiscal year percentages were 30.2% and 35.9%, respectively.

General Fund revenue increased by \$1.8 million comparing to that of fiscal year 2012. The main reasons were \$1.52 million more tax revenue received, \$131K more in-lieu fee and miscellaneous income received, but offset by \$187K less Charge for Service.

General Fund expenditures increased by \$702K this fiscal year mainly due to the above-mentioned expenditures. In summary, \$43K decrease in the General Manager and the Business Department, \$561K increase in the Park Department expenditures, \$79K increase in the Recreation Department expenditures, \$45K increase in the Golf Department expenditures and \$59K increase in all on department-wide capital outlays.

Other financing sources and uses had an outflow of \$2 million 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 increased by \$1.4 million from \$1.5 million to \$2.9 million. The increase was mainly due to receiving in-lieu fees of \$1.4 million from the City of Hayward and \$130K from the Alameda County for multiple capital projects completed. Also received were \$711K FEMA funding for prior year projects and \$365K of donation.

The Capital Project Fund expenditure increased by \$1.4 million from \$2.4 million to \$3.82 million which included the \$207K seven new capital leased vehicles, two land acquisitions-Fairmont Terrace and Boston Road Property, payoff one of the Via Toledo Property loans of \$198K, and more capital lease principal payments.

As of June 30, 2013, the Capital Projects Fund's fund balance totaled \$1.7 million, 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 2013 actual General Fund revenue exceeded the 2013 Revised Budget revenue by \$898K million or 3.4%. The main variances were:

- Taxes revenue including the homeowner's property tax relief exceeded the Revised Budget by \$572K.
- Rent, concessions and fees brought in \$379K more than planned. Main contributors to the overage were higher than budgeted amounts of \$265K from the Recreation registration and fees, \$67K from Kennedy Amusement Park, \$51K from other park operations, and \$43K from the use of facilities. The higher than budgeted revenue was offset by the \$207K lower than budgeted revenue in the Golf Department operation.

- Unbudgeted other operating grant and City of Hayward in-lieu fee was \$33K.
 - Interest income was \$14K less than expected due to extremely low interest rate.
- (B) The District's actual General Fund expenditures were higher than the 2013 Revised Budget by \$105K.
- Major overages occurred in Recreation Department's personnel by \$185K, service and supplies costs by \$84K, and in Park Department's service and supplies costs by \$51K. The overage was offset by lower than budgeted amounts in Park Departments' personnel by \$110K and Golf Department's services and supplies by \$82K.

Capital Assets and Debt Administration

(1) Capital Assets

For government-wide statement of net position 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>2013</u>	<u>2012</u>
Land	\$ 19,204,891	\$ 18,661,942
Construction in Progress	786,162	1,953,048
Building and Land Improvement	42,492,533	40,598,666
Equipment and Others	<u>1,462,954</u>	<u>1,480,821</u>
Total	<u>\$ 63,946,540</u>	<u>\$ 62,694,477</u>

The District's capital assets as of June 30, 2013 totaled \$63.9 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 \$1.3 million. 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 2013, the District had long-term obligations outstanding of \$3.4 million, excluding unamortized discount and issuance cost of \$39K. The District issued no new bonded debt but added a new 7-vehicle capital leased fleet to the existing agreement with Enterprise. Any gain on sale of the returned vehicles after fee deduction by Enterprise would be given to the District per the contract. In fiscal year 2013, HARD received a total of \$47.5K from Enterprise for sale of the returned leased vehicles.

The District funded \$973K for the annual required contribution (ARC) in the fiscal year 2013 for its OPEB obligation. 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 <\$537K>.

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, 2013, the District's debt was composed of:

Outstanding Long-term Debt

<u>June 30,</u>	<u>2013</u>	<u>2012</u>
Certificates of Participation	\$ 995,000	\$ 1,165,000
Issued in 1998, 3.6%-5%, due December 2017		
15 Year Note	81,681	133,183
Issued in 2000, 8%, due August 2014		
Refinanced March 2004, 4.5%, due November 2014		
Capital Lease	836,993	865,452
State Supplemental Loan	76,659	76,659
Issued in 1986, 0% interest, no specified due date		
Bank of the West Loan #59		238,027
Issued August 2010, 6%, due September 2011		
Later refinanced in fiscal year 2012		
Bank of the West Loan #75	271,310	330,198
Issued August 2010, 5.5%, due August 2017		
Bank of the West Line of Credit	490,000	
Authorized \$1million in 2008		
Long Term Debt-OPEB	<536,815>	<22,484>
Compensated Absences	<u>660,122</u>	<u>657,181</u>
Total Governmental Debt Activity	\$ <u>2,874,950</u>	\$ <u>3,443,216</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, 2013

Assets:

Cash and investments	\$ 10,134,127
Accounts receivable	1,423,243
Inventory	130,508
Restricted cash and investments held by fiscal agent	231,500
Net Pension Obligation asset - OPEB	536,815
Land	19,204,891
Construction in progress	786,162
Building and improvements	96,675,910
Equipment and others	4,563,555
Less: accumulated depreciation	(57,283,978)
Long-term debt issuance costs, net of accumulated amortization	<u>39,157</u>
Total assets	<u>76,441,890</u>

Liabilities:

Accounts payable	324,962
Accrued payroll	256,432
Accrued interest payable	2,686
Deposits payable	159,966
Sales tax payable	9,040
Gift certificates outstanding	45,533
Noncurrent liabilities	
Due within one year	1,005,268
Due in more than one year	<u>2,406,497</u>
Total Liabilities	<u>4,210,384</u>

Net Position:

Net Investment in capital assets	61,234,054
Restricted for debt service	228,898
Unrestricted	<u>10,768,554</u>
Total net position	<u>\$ 72,231,506</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, 2013

		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	\$ 2,308,447	\$ 343,923	\$	\$ 334,866	\$ (1,629,658)
Recreation programs	8,717,376	4,624,292	90,140		(4,002,944)
Park programs	10,621,208	790,120			(9,831,088)
Golf courses	3,425,912	2,571,048			(854,864)
Interest on long-term debt	145,973				(145,973)
Unallocated depreciation	2,070,374				(2,070,374)
Total governmental activities	\$ <u>27,289,290</u>	\$ <u>8,329,383</u>	\$ <u>90,140</u>	\$ <u>334,866</u>	<u>(18,534,901)</u>
General revenues:					
Taxes and assessments					18,621,001
Use of money and property					17,311
Intergovernmental					128,644
In-lieu fees					1,495,082
Other revenues					<u>1,278,258</u>
Total general revenues					<u>21,540,296</u>
Change in net position					3,005,395
Net position - beginning					<u>69,226,111</u>
Net position - ending					\$ <u><u>72,231,506</u></u>

The accompanying notes are an integral part of these financial statements

HAYWARD AREA RECREATION AND PARK DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Cash and investment	\$ 8,531,730	\$ 561,666	\$ 84	\$ 9,093,480
Restricted cash and investments held by fiscal agent			231,500	231,500
Accounts receivable	254,369	1,168,874		1,423,243
Inventory	<u>130,508</u>			<u>130,508</u>
Total assets	<u>\$ 8,916,607</u>	<u>\$ 1,730,540</u>	<u>\$ 231,584</u>	<u>\$ 10,878,731</u>
<u>Liabilities and Fund Balances:</u>				
Liabilities:				
Accounts payable	\$ 323,767	\$ 1,195	\$	\$ 324,962
Accrued payroll	256,432			256,432
Deposits payable	159,966			159,966
Sales tax payable	9,040			9,040
Gift certificates outstanding	<u>45,533</u>			<u>45,533</u>
Total liabilities	<u>794,738</u>	<u>1,195</u>		<u>795,933</u>
<u>Fund balance:</u>				
Nonspendable	130,508			130,508
Restricted			231,584	231,584
Assigned	34,744	1,729,345		1,764,089
Unassigned	<u>7,956,617</u>			<u>7,956,617</u>
Total fund balance	<u>8,121,869</u>	<u>1,729,345</u>	<u>231,584</u>	<u>10,082,798</u>
Total liabilities and fund balance	<u>\$ 8,916,607</u>	<u>\$ 1,730,540</u>	<u>\$ 231,584</u>	<u>\$ 10,878,731</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, 2013

Total Fund Balance - Governmental Funds	\$ 10,082,798
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	63,946,540
Net pension obligation - OPEB was not a current financial resource. Therefore it was not reported in Governmental Funds Balance Sheet	536,815
Long-term debt has not been included in the governmental funds	(3,411,765)
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.	(2,686)
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.	1,040,647
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.	39,157
Net Position of Governmental Activities	<u>\$ 72,231,506</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, 2013

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Taxes and assessments	\$ 18,621,001	\$	\$	\$ 18,621,001
Interest	14,678		22	14,700
Aid from governmental agencies:				
Homeowners' property tax relief	128,644			128,644
Grants	90,140	334,866		425,006
Rents, concessions, and fees	8,329,383			8,329,383
Other:				
In-lieu fees	18,586	1,476,496		1,495,082
Miscellaneous	128,927	1,079,916		1,208,843
	<u>27,331,359</u>	<u>2,891,278</u>	<u>22</u>	<u>30,222,659</u>
Total revenues				
EXPENDITURES:				
Current:				
District management	2,738,265			2,738,265
Recreation programs	8,569,617			8,569,617
Parks	10,445,497			10,445,497
Golf courses	3,360,974			3,360,974
Debt service:				
Other Expenses		50,496		50,496
Principal		536,245	170,000	706,245
Interest expense		84,012	54,000	138,012
Capital outlay	210,363	3,153,676		3,364,039
	<u>25,324,716</u>	<u>3,824,429</u>	<u>224,000</u>	<u>29,373,145</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>2,006,643</u>	<u>(933,151)</u>	<u>(223,978)</u>	<u>849,514</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	374,617	2,462,674	224,000	3,061,291
Proceeds from loan	490,000			490,000
Issuance of capital lease		206,761		206,761
Transfers out	(2,377,254)	(997,714)		(3,374,968)
	<u>(1,512,637)</u>	<u>1,671,721</u>	<u>224,000</u>	<u>383,084</u>
Total other financing sources (uses)				
Net change in fund balances	494,006	738,570	22	1,232,598
Fund balance - beginning	7,627,863	990,775	231,562	8,850,200
Fund balance - ending	<u>\$ 8,121,869</u>	<u>\$ 1,729,345</u>	<u>\$ 231,584</u>	<u>\$ 10,082,798</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, 2013

Net Change in Fund Balances - Governmental Funds	\$ 1,232,598
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 \$3,364,039 exceeds depreciation expense of \$2,070,374 in the period.	1,293,665
Accrued interest for long-term debt payable. This is the net change in accrued interest for the current period.	740
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.	706,245
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:	514,331
The issuance of long-term debt provides current financial resources to governmental funds, but the loans are reported as long-term liabilities	(490,000)
Issuance of Capital Lease	(206,761)
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.	(39,571)
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 more than the amounts used by \$2,941	(2,941)
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:	5,790
Net Position of Governmental Activities	\$ <u><u>3,005,395</u></u>

HAYWARD AREA RECREATION AND PARK DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013

	Governmental Activities - Internal Service Fund
	<hr/>
Assets:	
Current assets:	\$
Cash and investments	<hr/> 1,040,647
	<hr/>
Total assets	<hr/> 1,040,647
	<hr/>
Net position:	
Unrestricted	<hr/> 1,040,647
	<hr/>
Total net position	\$ <hr/> 1,040,647

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, 2013

	Governmental Activities - Internal Service Fund
Operating expense:	
Insurance premiums	\$ 425,273
Total operating expenses	<u>425,273</u>
Operating revenue	
Miscellaneous income	<u>69,415</u>
Total operating revenue	<u>69,415</u>
Operating loss	<u>(355,858)</u>
Non-operating revenue:	
Investment income	<u>2,611</u>
Total non-operating revenues	<u>2,611</u>
Other financing sources:	
Transfers in	<u>313,676</u>
Total other financing sources	313,676
Change in net position	(39,571)
Total net position - beginning	<u>1,080,218</u>
Total net position - ending	\$ <u><u>1,040,647</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, 2013

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Payments for services	\$ (355,858)
Net cash used by operating activities	(355,858)
Cash flows from investing activities:	
Interest received	2,611
Net cash provided by investing activities	2,611
Cash flows from other financing sources:	
Transfers in	313,676
Net cash used by other financial sources	313,676
Net decrease in cash and cash equivalents	(39,571)
Cash and cash equivalents, beginning of year	1,080,218
Cash and cash equivalents, end of year	\$ 1,040,647
Reconciliation of operating income (loss) to net cash provided (used)	
by operating activities:	
Operating income (loss)	(355,858)
Net cash used by operating activities	\$ (355,858)

The accompanying notes are an integral part of these financial statements

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

The District is governed by an elected five-member Board of Directors, serving the City of Hayward and the unincorporated Castro Valley, San Lorenzo, Ashland, Cherryland and Fairview districts. The District is legally separate and fiscally independent, which means it can issue debt, set and modify budgets and fees and sue or be sued. The financial statements of the District include only the financial activities of the District. There are no separate or legal entities or component units included in the financial statements of the District.

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 position 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.

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.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 Position 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.

D. Accrued Vacation Payable

Accumulated vacation benefits are recognized as a liability of the District. At June 30, 2013, the total accrued vacation subject to redemption amounted to approximately \$660,122.

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, Douglas Morrisson Theater and Adobe Art Center.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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. Cash and cash equivalents are combined with investments and displayed as cash and investments.

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.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

N. Implementation of new GASB Pronouncements

In 2013, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the objective of which is to address presentation issues associated with the financial position elements created in Concepts Statements No.4 *Elements of Financial Statements*.

The district is currently analyzing its accounting practices to determine the potential impact on the financial Statements for:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal year beginning after December 15, 2012.
- GASB Statement No. 67, *Financial Reporting for Pension Plan*, effective for fiscal year beginning after June 15, 2013.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal year beginning after June 15, 2014.

NOTE 2: CASH AND INVESTMENTS

The district maintains cash and investments, which includes cash balances with Alameda County, financial institutions and authorized investments for all funds, except funds required to be held by fiscal agents under the provision of bond indentures.

A: Cash 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

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. This collateral is held by the institution but is considered to be held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by the Federal Deposit Insurance Corporation.

B: 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, 2013 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, 2013, the District's share of the County's cash and investment pool totaled \$3,998,849.

C: Investments

Under the provisions of the District's investment policy, and in accordance with California Government Code, the following investments are authorized:

- Government securities with the full faith and credit of the federal government.
- Federal instrumentalities which do not carry the federal guarantee but which are guaranteed or supported by the US Treasury
- Bank certificates of deposits

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

- Money Market funds
- Commercial Paper
- California Local Agency Investment funds

Bond proceeds are invested in compliance with the individual fiscal agent agreements associated with each issue.

The District's investments are carried at fair value as required by generally accepted accounting principals of the United States.

D: Summary of Cash and Investments

Cash and Investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 10,134,127
Restricted cash/investments held by fiscal agent	<u>231,500</u>
Total	<u>\$ 10,365,627</u>

Fair value of the District's cash and investments, grouped by maturity date, at June 30, 2013, follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>1 year or less</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>
Cash and deposits	\$ 4,040,046	\$ 4,040,046	\$	\$	\$	\$
Cash in County Treasury	3,998,849	3,998,849				
Natexis Banq US Fin Co	1,001,208	1,001,208				
GE Cap Fin Bnk UT US	104,994	104,994				
Fifth Third Bk OH US	199,566		199,566			
Discover Bank De US	199,016			199,016		
BMW BK NA Salt Lak UT USA	198,000				198,000	
American Express C NY US	197,320					197,320
Goldman Sachs Bank NY US	195,128					195,128
	<u>10,134,127</u>	<u>9,145,097</u>	<u>199,566</u>	<u>199,016</u>	<u>198,000</u>	<u>392,448</u>

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Fair value of the cash and investments held by fiscal agents, grouped by maturity date, at June 30, 2013, follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>1 year or less</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>
US Treasury notes	\$ 231,500	\$ 231,500	\$	\$	\$	\$
	<u>231,500</u>	<u>231,500</u>				

E: Risks

Investment risk tolerance is specifically addressed in the District's formal investment policy, which is updated annually, and reviewed and approved via resolution of the Board of Directors.

The policy specifies that:

- Credit risk will be mitigated by investing in high grade securities and diversification,
- Market risk will be mitigated by maintaining appropriate diversification of assets,
- Interest rate risk will be mitigated through general limitation of maturities to five years or less at time of trade settlement,
- Prime commercial paper must have maturity not exceeding 270 days from date of trade settlement.
- Securities in government securities and federal instrumentalities must be discount securities or securities bearing interest at a fixed rate.
- Custodial risk is mitigated in accordance with provisions of Sections 53608 of the California Government Code.

Credit Risk - This is the risk of loss due to failure of the issuer of a security, which is mitigated by requiring investment in high grade securities. At June 30, 2013, the District had the following investments credit risk ratings.

	Credit Quality Ratings	
	Moody's	S&P
Commercial Paper/CD	P-1	A1
Natexis Banq US Fin Co - CP	Aaa	AAA
GE Cap Fin Bnk UT US - CD	Aaa	AAA
Fifth Third Bk OH US - CD	Aaa	AAA
Discover Bank De US - CD	Aaa	AAA
BMW BK NA Salt Lak UT USA - CD	Aaa	AAA
American Express C NY US - CD	Aaa	AAA
Goldman Sachs Bank NY US - CD	Aaa	AAA
Federated Treasury Obligations - CD	Aaa-m	AAA-m

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Interest Rate Risk - This is the risk of receiving less than optimal interest earnings, or a decline in market value of securities held, due to fluctuations in interest rates. It is mitigated by limiting the average maturity of the portfolio to five years or less.

Custodial Credit Risk - This risk is that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities are held by third-party custodian, UBS financial services. The securities are held in the name of the District.

Concentration Risk - Although the District's investment policy does not define concentration risk, the investments have not to exceed amount. For example no more than 5% of the portfolio can be invested in commercial paper of a single issuer.

No more than 20% of the funds of the district can be invested in Bank certificate of deposits and money market funds.

Foreign- currency Risk - The District's investment policy does not address foreign currency risk, as no investments associated with foreign currency are permitted.

NOTE 3: CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
Capital assets, not depreciated				
Land	\$ 18,661,942	\$ 542,949	\$	\$ 19,204,891
Construction in progress	1,953,048	2,105	(1,168,991)	786,162
Total Capital assets, not depreciated	20,614,990	545,054	(1,168,991)	19,991,053
Capital assets being depreciated				
Buildings and improvements	93,105,058	3,570,852		96,675,910
Equipment and others	4,493,303	417,124	(346,872)	4,563,555
Total capital assets, being depreciated	97,598,361	3,987,976	(346,872)	101,239,465
Less accumulated depreciation for:				
Buildings and Improvements	(52,506,392)	(1,676,985)		(54,183,377)
Equipment	(3,012,482)	(393,389)	305,270	(3,100,601)
Total accumulated depreciation	(55,518,874)	(2,070,374)	305,270	(57,283,978)
Total capital assets, being depreciated, net	42,079,487	1,917,602	(41,602)	43,955,487
Capital assets, net	\$ 62,694,477	\$ 2,462,256	\$ (1,210,593)	\$ 63,946,540

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Unallocated	\$ <u>2,070,374</u>
Total depreciation expense	\$ <u><u>2,070,374</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, 2013:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due within One Year
BART note	\$ 133,183	\$	\$ 51,502	\$ 81,681	\$ 53,846
State supplemental loan	76,659			76,659	
Certificates of participation	1,165,000		170,000	995,000	180,000
Loan payable –Bank of the West	238,027		238,027		
Loan payable –Bank of the West	330,198		58,888	271,310	61,390
Compensated absences	657,181	2,941		660,122	
Capital leases	865,452	206,761	235,220	836,993	220,032
Line of Credit		490,000		490,000	490,000
Total	\$ <u>3,465,700</u>	\$ <u>699,702</u>	\$ <u>753,637</u>	\$ <u>3,411,765</u>	\$ <u>1,005,268</u>

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, 2013, was \$81,681.

The future remaining debt service payments are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	4.50%	\$ 53,846	\$ 3,076	\$ 56,922
2015	4.50%	<u>27,835</u>	<u>627</u>	<u>28,462</u>
Total		\$ <u>81,681</u>	\$ <u>3,703</u>	\$ <u>85,384</u>

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, \$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.

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, 2013. The outstanding balance of the certificates on June 30, 2013, was \$995,000.

The future remaining debt service payments are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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		\$ 995,000	\$ 129,125	\$ 1,124,125

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 entire amount of the loan has been paid off in 2013.

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 August 26, 2012 interest is calculated at 3.62% on the unpaid principal balance and the monthly installment including principal and interest is \$5,860.

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>
2014	3.62%	61,390	8,934	70,324
2015	3.62%	63,681	6,643	70,324
2016	3.62%	66,048	4,276	70,324
2017	3.62%	68,523	1,800	70,323
2018	3.62%	11,668	53	11,721
Total		\$ <u>271,310</u>	\$ <u>21,706</u>	\$ <u>293,016</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 \$206,761 for a 7-vehicle fleet was signed with Enterprise. In the fiscal year 2013, 5 vehicles with net book value of \$41,601 and remaining principal balance of \$47,392 were written off and returned to the vendor. Total 7 new vehicles were received in the fiscal year 2013.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,

2014	\$	287,238
2015		324,986
2016		190,778
2017		90,236
2018		103,218
		996,456
Less: amount representing interest and taxes		(159,463)
Present value of net minimum lease payments	\$	836,993

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

G. Line of Credit

The district has an unsecured line of credit of \$1,000,000 with Bank of the West bearing a variable rate of interest. The rate of interest is 0.25 percentage points over the Bank of the West Prime rate. Balance outstanding on this loan as on June 30, 2013 was \$490,000 at the rate of 3.25%.

H. 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, 2013, the Net OPEB asset was \$536,815. 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.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

Benefit provisions and all other requirements are established by state statute and 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 2013, District employees are required to contribute four percent (4%) 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 \$349,908 for fiscal year 2013. 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 16.314% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012-2013, the District's annual pension cost of \$1,233,549 for PERS was equal to the District's required actual contributions. The required contributions were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method.

Significant actuarial assumptions used in the valuation included: (1) 7.50% investment rate of return (net of administrative expenses), (2) projected salary increases of 3.30% to 14.20% depending on age, service, and type of employment, and (3) inflation rate of 2.75% 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

Fiscal Year	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	856,883	100%	\$ 0
6/30/12	1,167,453	100%	\$ 0
6/30/13	1,233,549	100%	\$ 0

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

E. Funded Status of the Plan

Risk Pool

	(A)	(B)	(C)	(D)	(E)	(F)
	Entry Age		Unfunded	Funded	Annual	Unfunded
	Normal	Actuarial	Liability	Status	Covered	Actuarial
Valuation	Accrued	Value of	Excess	Ratio	Payroll	Liability as a
Date	Liability	Assets	Assets	[(B)/(A)]		% of Covered
			[(A)-(B)]			Payroll
						{[(A)-(B)/(E)]}
6/30/12	58,884,399	48,239,509	10,644,890	81.90%	7,265,334	146.5%

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, 2013, there were eleven (11) singles, and thirty two (32) 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, 2013

- (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 2013, the District contributed a total of \$973,436 to the plan, which also earned investment income of \$286,871. The estimated Actuarial Accrued liability (AAL) as projected for June 30, 2013 was \$12,132,552. 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, 2013

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 2013 are as follows:

Required annual contribution (ARC)	\$ 973,436
Interest on net OPEB obligation	(10,452)
Adjustment to ARC	13,397
Annual OPEB Cost	<u>976,381</u>
Age Adjusted retiree cost	(517,276)
Contributions made	<u>(973,436)</u>
Decrease in NPO	(514,331)
NPO liability/(asset) beginning of the year	<u>(22,484)</u>
 NPO (asset) end of the year	 <u>\$ (536,815)</u>

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

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
2011	\$ 1,032,293	\$ 853,986	83%	\$ (368,631)	\$ 307,174
2012	\$ 1,018,525	\$ 866,806	85%	\$ (481,377)	\$ (22,484)
2013	\$ 976,381	\$ 973,436	99%	\$ (517,276)	\$ (536,815)

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, 2013

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, 2013, there were forty four (44) employees enrolled in the PEHP plan.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 2013, the District has funded \$40,919 to the plan.

C. Plan Value

The balance in the District's quarterly statement was \$211,646 as of June 30, 2013. 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, 2013, is as follows:

Total current assets	\$ 4,759,952
Total noncurrent assets	<u>18,899,663</u>
Total Assets	<u><u>\$ 23,659,615</u></u>
 Total Liabilities	 \$ 11,272,097
Total Net Position	<u>12,387,518</u>
Total liabilities and net position	<u><u>\$ 23,659,615</u></u>

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 \$143,395 for the Year ended June 30, 2013.

(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.
- 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.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Rent payments were scheduled based on the percentage of net income beginning on July 1, 2002.

- For the year ended June 30, 2013, 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, 2013, 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, 2013, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 374,617	\$ 2,377,254
Capital projects fund	2,462,674	997,714
Nonmajor funds	224,000	
Internal service fund	<u>313,677</u>	<u> </u>
Total interfund transfers	\$ <u>3,374,968</u>	\$ <u>3,374,968</u>

NOTE 11: NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis and fund balance measured on the modified accrual basis.

A. Net Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position is divided into three captions:

These captions apply only to Net Position, 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 Position 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.

HAYWARD AREA RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Restricted describes the portion of Net Position 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 Position which is not restricted to use.

B. Fund Balances

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, 2013, fund balances in the governmental funds are classified below:

- *Nonspendable Fund Balance* - to reflect the assets (\$130,508) that are in not spendable from, including inventory.
- *Restricted Fund Balance* - to reflect the amounts (\$231,584) 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 (\$231,584)
- *Assigned Fund Balance* - to reflect funds (\$1,764,089) that are to be used by the District for specific purposes that are neither restricted nor committed. This includes funds (\$34,744) for general government and (\$1,729,345) for capital projects.
- *Unassigned Fund Balance* - to reflect the net resource (\$7,956,617) 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.

NOTE 12: SUBSEQUENT EVENT

The District has paid off its line of credit of \$490,000 and borrowed loan amounting to \$491,526 as on August 8, 2013. The loan bears fixed rate of interest of 4.2% and matures on August 8, 2018. The loan is collateralized by real estate property located a 17482 Boston Road, Hayward.

REQUIRED SUPPLEMENTARY INFORMATION

**HAYWARD AREA RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013**

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

GENERAL FUND

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Revised	Actual	
REVENUES				
Taxes and assessments	\$ 15,365,000	\$ 18,178,000	\$ 18,621,001	\$ 443,001
Interest	30,200	24,200	14,678	(9,522)
Aid from governmental agencies:				
Homeowners' property tax relief			128,644	128,644
Grants		81,500	90,140	8,640
Rents, concessions, and fees	7,456,680	7,950,111	8,329,383	379,272
Other:				
In-lieu fees			18,586	18,586
Miscellaneous	12,500	199,959	128,927	(71,032)
Total revenues	22,864,380	26,433,770	27,331,359	897,589
EXPENDITURES				
Current:				
District management:				
Personnel	1,347,211	1,177,606	1,158,698	18,908
Services and supplies	785,750	631,000	606,761	24,239
Recreation:				
Personnel	6,344,293	6,782,287	6,966,788	(184,501)
Services and supplies	1,334,250	1,522,180	1,605,643	(83,463)
Parks:				
Personnel	7,058,242	6,939,526	6,829,207	110,319
Services and supplies	3,078,850	3,576,250	3,626,968	(50,718)
Golf courses:				
Personnel	2,412,721	2,382,721	2,380,781	1,940
Services and supplies	1,087,856	1,082,319	1,000,815	81,504
Capital outlay	119,000	186,646	210,363	(23,717)
Other Postemployment Benefit (OPEB) Funding	973,436	973,436	973,436	
Total expenditures	24,541,609	25,253,971	25,359,460	(105,489)
Excess of revenues over (under) expenditures	(1,677,229)	1,179,799	1,971,899	792,100
Other financing sources (uses):				
Transfers in			374,617	374,617
Proceeds from loan			490,000	490,000
Transfers out	(758,174)	(761,053)	(2,377,254)	(1,616,201)
Total other financing sources (uses)	(758,174)	(761,053)	(1,512,637)	(751,584)
Net change in fund balance	(2,435,403)	418,746	459,262	40,516
Add reserve for encumbrance for current year budget			34,744	34,744
Fund balance - July 1, 2012	7,627,863	7,627,863	7,627,863	
Fund balance - June 30, 2013	\$ 5,192,460	\$ 8,046,609	\$ 8,121,869	\$ 75,260

**HAYWARD AREA RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 25,359,460
Encumbrances for current budget year	<u>(34,744)</u>
GAAP basis expenditure	\$ <u>25,324,716</u>

**HAYWARD AREA RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

1. 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]}
6/30/10	\$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%
6/30/12	\$58,884,399	\$48,239,502	\$10,644,890	81.9%	\$7,265,334	146.5%

2. 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

OTHER SUPPLEMENTARY INFORMATION

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development			
Pass-Through Program From:			
Alameda County			
Community Development Block Grant	14.218		\$ 180,000
City of Hayward			
Community Development Block Grant	14.218		56,228
Community Development Block Grant	14.218		33,769
			<hr/>
Total Department of Housing and Urban Development			269,997
			<hr/>
U.S. Department of Homeland Security			
Pass-Through Program From:			
California Emergency Management Agency			
Public Assistance Grant	97.036		142,124
Public Assistance Grant	97.036		26,760
Public Assistance Grant	97.036		403,850
			<hr/>
Total U.S. Department of Homeland Security			572,734
			<hr/>
Total Expenditure of Federal Awards			\$ 842,731
			<hr/>

N.A.: Not Available

Note: The above schedule of expenditures of federal awards is prepared on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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, in accordance with the 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, 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, 2013, and the related notes to the financial statements which collectively comprise the Hayward Area Recreation and Park District's basic financial statements and have issued our report thereon dated March 13, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-1 to 2013-3 that we consider to be significant deficiencies in internal control over financial reporting.

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

Hayward Area Recreation and Park District's response to the findings in our audit are described in the accompanying schedule of findings and questioned costs. Hayward Area Recreation and Park District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in dark ink that reads "RS Associates". The letters are stylized and cursive.

San Ramon, California
March 13, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Hayward Area Recreation and Park District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular -A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink that reads "RS Associates". The letters are stylized and cursive.

San Ramon, California
March 13, 2014

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
---------------------------	---------------------------------------

97.036	Public Assistance Grant
--------	-------------------------

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
--	-----------

Auditee qualified as low-risk auditee?	No
--	----

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 13-1:

Accounts receivable

Criteria or specific requirement

There should be a system in place to review the accounts receivable for class system.

Condition:

During our review we noted that there were old outstanding related to program income. Currently there is no process to review the old outstanding and to recover the dues for class system receivable.

Questioned Cost

Cannot be determined.

Effect:

Revenue and assets may not be correctly stated.

Cause

Presently there is no system in place to follow up on the old receivables.

Recommendation:

We recommend that a list of old outstanding be provided to the program personnel on regular basis. They should make an effort to recover the outstanding balances and recommend an allowance for unrecoverable amount.

Views of responsible officials and planned corrective actions:

There are two issues here:

To resolve the overdue accounts receivable outstanding with program income,

1. District Accountant will setup District policy and procedure on bad debt allowances and accounts receivable write-off
2. Recreation Department Supervisor will print out from the Class System and review/recover overdue accounts and amounts with Recreation program supervisors on a quarterly basis.

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Recreation Department Supervisor will provide District Accountant the information on the Accounts Receivable allowance and write-offs to be recorded in the General Ledger each quarter end. Write-off of Accounts Receivable requires the Board of Directors' approval.

For the other issue of "Field Improvement" in-lieu-of rent or payment, the General Manager will work with the Recreation Department Supervisor and the program manager to

- (1) Ensure the "Field Use and Sports Facility Rules and Regulations" process is strictly adhered to,
- (2) Form of "Facility Use Fee Reduction Request/Application" is filled out and approved by Department Heads before the event takes place.

Finding 13-2:

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, expenditures including capital expenditure and expense allocation, budgeting 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.

**HAYWARD AREA RECREATION AND PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Views of responsible officials and planned corrective actions:

The General Manager will work on the update of District's policies and procedures in the current (2014) and next fiscal year (2015).

Finding 13-3:

Payroll

Criteria or specific requirement

Payroll reports received from the payroll company should be reviewed for accuracy. The payroll procedure should be documented in detail so as to guide the personnel processing the payroll.

Condition:

During our audit we were informed that the payroll reports received from the payroll company is not reviewed by the accounting department. There is also no detailed documentation of payroll process.

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 the payroll process be documented in detail and also 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.

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2013**

Views of responsible officials and planned corrective actions:

Payroll report received back from the payroll company will be reviewed, randomly checked against source documents, e.g. document of hiring, timesheet records, rate changes, and employment status, and approved by the General Manager BEFORE the Payroll person submits it for payroll processing. The Payroll personnel will submit his/her manually prepared payroll related checks for adjustments, corrections, late timesheets, lost checks, terminations, etc., along with their supporting documents to the General Manager for approval before issuance.

For employees working multiple programs, the program supervisors need to check the employee's timesheets to ensure no overlap reporting.

If an employee has not been working for the District for a period of time, e.g. 2 months, the program manager needs to review and determine the employee's employment status and work with Payroll with regard to the employee's vacation/sick leave balances.

The Payroll person will work on the payroll process details in fiscal year 2014. She will contact other government agencies and use their payroll process manuals as a guideline.

**HAYWARD AREA RECREATION AND PARK DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

YEAR ENDED JUNE 30, 2013

Findings:

Status:

Finding 12-1

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.

Implemented

Finding 12-2

The District's policies and procedures for travel and other items are out of date in view of changes in the system and personnel.

Not implemented. See findings 13-2

Finding 12-3

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 13-3

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

PROPOSED FORM OF FINAL OPINION

[Addressees]

Re: \$_____ Hayward Area Recreation and Park District Certificates of Participation, Series 2014

Ladies and Gentlemen:

We have acted as Special Counsel to the Hayward Area Recreation and Park District (the "District"), in connection with the sale, execution and delivery of \$_____ aggregate principal amount of Hayward Area Recreation and Park District Certificates of Participation, Series 2014 (the "Certificates"), representing proportionate interests of the owners thereof in the right of the CSDA Finance Corporation (the "Corporation"), a California non-profit public benefit corporation, to receive Lease Payments (the "Lease Payments") to be made by the District pursuant to a Lease Agreement, dated as of April 1, 2014 (the "Lease Agreement") between the District and the Corporation.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2014 (the "Trust Agreement"), among the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). All capitalized terms used herein and not otherwise defined shall have the same meanings assigned to them in the Trust Agreement.

The District is obligated under the Lease Agreement to pay the Lease Payments, a portion of which is designated as interest. The Corporation has assigned its right to receive Lease Payments and certain other right and interests in the Lease Agreement to the Trustee pursuant to an Assignment Agreement, dated as of April 1, 2014 (the "Assignment Agreement") between the Corporation and the Trustee.

As Special Counsel we have examined copies certified to us as being true and complete copies of the proceedings of the Board of Directors of the District in connection with the authorization and sale of the Certificates. In this connection, we have also examined such other documents, opinions and instruments as we have deemed necessary in order to render the opinions expressed herein. In such examination, we have assumed the genuineness of all signatures (of parties other than the District) on original documents and the conformity to the original documents of all copies submitted to us.

We have also assumed the due execution and delivery (by all parties other than the District) of all documents which we have examined where due execution and delivery are a prerequisite to the effectiveness thereof. As to the various questions of fact material to our opinion, we have relied upon statements or certificates of officers and representatives of the Corporation, the District, public officials and others.

On the basis of the foregoing examination and assumptions and in reliance thereon and on all such other matters of fact as we deemed relevant under the circumstances, and upon consideration of the applicable laws, we are of the opinion that:

1. The Trust Agreement and the Lease Agreement have been duly and validly authorized, executed and delivered by the District and the Corporation, and the Assignment Agreement has been duly and validly authorized, executed and delivered by the Corporation, and, assuming such documents have been duly authorized, executed and delivered by the other parties thereto, constitute the legally valid and binding obligations of the Corporation and the District enforceable in accordance with their respective terms. The Trust Agreement creates a valid pledge, which it purports to create, of all right, title and interest in and to all amounts on hand from time to time in the funds and accounts created thereunder. The Certificates are entitled to the benefits of the Trust Agreement.

2. The portion of each Lease Payment accruing under the Lease Agreement designated as and comprising interest and received by the owners of the Certificates is excludable under existing statutes, regulations, rulings and court decisions, from gross income for Federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from personal income taxes of the State of California under present law. In addition, the portion of each Lease Payment designated as and comprising interest received by the owners of the Certificates is not an item of tax preference for purposes of the Code's alternative minimum tax provisions, although Special Counsel observes that the interest portion is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability.

In rendering the opinions expressed in paragraph 2 above, we are relying upon representations and covenants of the Corporation and the District in the Trust Agreement, the Lease Agreement and in the Tax Certificate of the District of even date herewith concerning the use of the facilities financed with Certificate proceeds, the investment and use of Certificate proceeds and the rebate to the Federal government, if necessary, of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the Corporation and the District will comply with such covenants. We express no opinion with respect to the exclusions of the interest from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the District or the Corporation fail to comply with such covenants. Except as stated above, we express no opinion as to any Federal tax consequences of the receipt of the portion of each Lease Payment designated as and comprising interest with respect to, or the ownership or disposition of the Certificates.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Lease Agreement and other relevant documents may be changed and certain actions (including, without limitation, prepayment of the Lease Payments) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Certificate or the interest represented thereby if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed in paragraph 1 above are qualified to the extent that enforcement of the agreements referred to in such paragraphs may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

We express no opinion as to the availability of equitable remedies, and advise you that a California court may not strictly enforce certain covenants if it concludes that enforcement would be unreasonable under the circumstances. Furthermore, we express no opinion with respect to any indemnification, contribution or choice of law provisions contained in these agreements. Finally, we undertake no responsibility herein for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Respectfully submitted,

NOSSAMAN LLP

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of April 1, 2014, is executed and delivered by the Hayward Area Recreation and Park District ("District") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee and Dissemination Agent in connection with the execution and delivery of the Hayward Area Recreation and Park District Certificates of Participation, Series 2014 (the "Certificates"), in the aggregate principal amount of \$_____, evidencing proportionate interests of the registered owners thereof in certain Lease Payments (described herein) to be made by the District to the CSDA Finance Corporation (the "Corporation"). The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of April 1, 2014 (the "Trust Agreement"), among the District, the Corporation and the Trustee. The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Trustee for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Official Statement" shall mean the Official Statement relating to the Certificates.

"Participating Underwriter" shall mean the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, annually not later than nine months following the end of the District's Fiscal Year, commencing with the report for Fiscal Year ending June 30, 2014, provide to the

MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the District shall, by telecommunications or other reasonable means, provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for the providing of the Annual Report to Repositories, the District shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the first sentence of this subsection (b). If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) to the extent it can confirm such filing of the Annual Report, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the most recent audited financial statements of the District prepared in accordance with generally accepted accounting principles promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. In addition, for years following the Fiscal Year ending June 30, 2014, the Annual Report shall contain the following information for the Fiscal Year covered by such Report:

(i) Principal amount of Certificates outstanding.

(ii) Balance in the funds and accounts relating to the Certificates held by the District or the Trustee under the Trust Agreement.

(iii) Information updating the information on the allocation of the District's revenues by source for the fiscal year, the Tenant Revenues for the fiscal year and the actual budget for the fiscal year, in a format similar to that presented in the Official Statement.

(iv) A description of any event of default under the Trust Agreement or Lease Agreement (as described in the Official Statement).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates;

2. Modifications to rights of Certificate holders;
3. Optional, unscheduled or contingent Certificate calls;
4. Release, substitution, or sale of property securing repayment of the Certificates;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4, as provided in Section 4(b).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates.

Section 7. Dissemination Agent. The District may, from time to time, appoint a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the District. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the District to the extent that such

amendment does not adversely affect the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) the amendment or waiver, if it relates to annual or event information to be provided, is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of holders.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District or Dissemination Agent to comply with any provision of this Disclosure Agreement any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Dissemination Agent to comply with its obligations hereunder. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement or the Lease Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, the Trustee and their officers, directors, employees, attorneys, agents and receivers, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repositories. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the Holders or Beneficial Owners of the Certificates, the District, the Participating Underwriters or any other party or person. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability, or compel the District to adhere to the requirements herein. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under the Certificates and this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent (if such Dissemination Agent is not the District), the Participating Underwriters and holders and beneficial owners, from time to time, of the Certificates, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**HAYWARD AREA RECREATION AND PARK
DISTRICT**

By: _____
General Manager

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee and Dissemination
Agent**

By: _____
Authorized Officer

EXHIBIT A

**NOTICE OF MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Hayward Area Recreation and Park District

Name of Issue: Hayward Area Recreation and Park District Certificates of Participation,
Series 2014

Date of Issuance: April __, 2014

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.**, as Dissemination Agent

By: _____
Authorized Officer

cc: District and Corporation

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information concerning DTC set forth herein has been supplied by DTC, and the District assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Trust Agreement, DTC will act as Securities Depository for the Certificates. The Certificates will be delivered as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be delivered for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing corporation" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from Standard & Poor's of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchase of Ownership Interests. Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will

not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. THE DISTRICT AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE CERTIFICATES.

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting Rights. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds. Payments of principal and interest with respect to the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE TRUSTEE AND THE DISTRICT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE CERTIFICATES UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON

WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF CERTIFICATES, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE CERTIFICATES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS OF THE CERTIFICATES UNDER THE TRUST AGREEMENT; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE CERTIFICATES; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE CERTIFICATES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE CERTIFICATES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE CERTIFICATES (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal and interest with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered as described in the Trust Agreement.

The District may decide to discontinue use of the system of book entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered as described in the Trust Agreement and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Certificates may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

(THIS PAGE INTENTIONALLY LEFT BLANK)



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272