



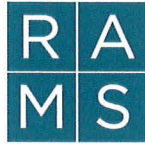
**Financial Statements and
Independent Auditor's Report**

For the year ended June 30, 2022

Rim of the World Recreation & Park District

Basic Financial Statements
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Independent Auditor's Report

Board of Directors
Rim of the World Recreation & Park District
Rimforest, California

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Rim of the World Recreation & Park District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 1, 2022

Rim of the World Recreation & Park District

Management's Discussion and Analysis For the Year Ended June 30, 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rim of the World Recreation & Park District (the District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 39.26% from \$2,533,770 to \$3,528,567 in 2022 as a result of current year operations.
- During the year, the District's assessment revenues increased by 9.16% or \$69,409 in 2022.
- Overall, revenues increased by 113.63% from \$1,010,585 to \$2,158,897 in 2022. This overall increase was the result of significant grant income in the current year.
- In the fund statements, total expenditures increased by 38.94% from \$1,110,084 to \$1,542,300 in 2022. The increase was mainly due to recreation and childcare programs running at close to normal levels after the Covid-19 closures. In addition, the District paid off its note payable of \$351,855 in its entirety.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors however, such as changes in the District's property tax base to assess the *overall health* of the District.

Rim of the World Recreation & Park District

Management's Discussion and Analysis For the Year Ended June 30, 2022

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$3,528,567, an increase of 39.26%, as of June 30, 2022.

	<u>2022</u>	<u>2021</u>	<u>% change</u>	<u>\$ change</u>
ASSETS				
Current and other	\$ 1,809,078	\$ 935,593	93.36%	\$ 873,485
Capital, net	<u>2,556,330</u>	<u>2,562,517</u>	-0.24%	<u>(6,187)</u>
Total assets	<u>4,365,408</u>	<u>3,498,110</u>	24.79%	<u>867,298</u>
LIABILITIES				
Current and other	123,886	124,594	-0.57%	(708)
Due in more than one year	<u>515,905</u>	<u>839,746</u>	-38.56%	<u>(323,841)</u>
Total liabilities	<u>639,791</u>	<u>964,340</u>	-33.66%	<u>(324,549)</u>
DEFERRED INFLOW OF RESOURCES				
Lease related	<u>197,050</u>	<u>-</u>	100.00%	197,050
NET POSITION				
Net investment in capital assets	2,406,770	2,107,042	14.23%	299,728
Restricted	540,000	-	100.00%	540,000
Unrestricted	<u>581,797</u>	<u>426,728</u>	36.34%	<u>155,069</u>
Total net position	<u>\$ 3,528,567</u>	<u>\$ 2,533,770</u>	39.26%	<u>\$ 994,797</u>

Rim of the World Recreation & Park District

Management's Discussion and Analysis For the Year Ended June 30, 2022

\$2,406,770 of the District's net position as of June 30, 2022 reflects its investment in capital assets (net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to operate the District; consequently, these assets are *not* available for future spending. In addition, the District has \$540,000 in restricted net position. This amount is restricted for capital improvements related to the Twin Peaks Senior/Community Center and the Robert Hootman Senior/Community Center. At the end of fiscal year 2022, the District showed a balance in its unrestricted net position of \$581,797.

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$994,797 for the fiscal year ended June 30, 2022, a significant increase over the prior year.

REVENUES	<u>2022</u>	<u>2021</u>	<u>% change</u>	<u>\$ change</u>
Program revenues				
Charges for services	\$ 1,249,279	\$ 1,002,073	24.67%	\$ 247,206
Operating grants and contributions	879,843	308	285563.31%	879,535
General revenues				
Investment earnings	4,968	3,597	38.12%	1,371
Other	24,807	4,607	438.46%	20,200
 Total revenues	<u>2,158,897</u>	<u>1,010,585</u>	113.63%	1,148,312
 EXPENSES				
Administration	551,533	568,118	-2.92%	(16,585)
Recreation	370,419	330,696	12.01%	39,723
Childcare	227,184	90,132	152.06%	137,052
Interest expense	14,964	19,695	-24.02%	(4,731)
 Total expenses	<u>1,164,100</u>	<u>1,008,641</u>	15.41%	155,459
 Increase in net position	994,797	1,944	51072.69%	992,853
 Net position, beginning of year	<u>2,533,770</u>	<u>2,531,826</u>		
 Net position, end of year	<u>\$ 3,528,567</u>	<u>\$ 2,533,770</u>		

- The increase in charges for service is primarily due to the opening of recreation and childcare activities subsequent to Covid-19.
- Operating grants and contributions increased mostly due to a grant from the County of San Bernardino for \$540,000 and Covid-19 relief funds, from the State's General Fund, of \$323,583.
- The increases in recreation and childcare expenses are primarily due to the increase recreation and childcare activities post Covid-19.

Governmental Funds Financial Analysis

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

Rim of the World Recreation & Park District

**Management's Discussion and Analysis
For the Year Ended June 30, 2022**

As of June 30, 2022, the District's Governmental Fund reported a fund balance of \$1,539,632 of which \$887,551 is unassigned and available for future District expenditures. \$112,081 of fund balance has been assigned to various reserve accounts. \$540,000 is restricted for capital improvements.

	2022	2021	% change	\$ change
REVENUES				
Special assessments, current and prior	\$ 827,332	\$ 757,923	9.16%	\$ 69,409
Rents and concessions	155,657	114,032	36.50%	41,625
Investment earnings	4,968	3,597	38.12%	1,371
Charges for services:				
Recreation	70,419	80,586	-12.62%	(10,167)
Childcare	195,871	49,532	295.44%	146,339
Contributions and donations	879,843	308	285563.31%	879,535
Other	24,807	4,607	438.46%	20,200
Total revenues	<u>2,158,897</u>	<u>1,010,585</u>	113.63%	1,148,312
EXPENDITURES				
Administration:				
Salaries and benefits	326,177	405,314	-19.52%	(79,137)
Services and supplies	209,130	166,472	25.62%	42,658
Recreation:				
Salaries and benefits	96,507	138,208	-30.17%	(41,701)
Services and supplies	217,449	154,490	40.75%	62,959
Childcare:				
Salaries and benefits	204,138	81,316	151.04%	122,822
Services and supplies	15,015	6,115	145.54%	8,900
Debt service:				
Principal	392,538	50,460	677.92%	342,078
Interest	14,964	19,695	-24.02%	(4,731)
Capital outlay	66,382	88,014	-24.58%	(21,632)
Total expenditures	<u>1,542,300</u>	<u>1,110,084</u>	38.94%	432,216
Excess of revenues over/(under) expenditures	<u>616,597</u>	<u>(99,499)</u>		
OTHER FINANCING SOURCES (USES)				
Debt issued	53,163	103,620	-48.69%	(50,457)
Total other financing sources (uses)	<u>53,163</u>	<u>103,620</u>		
Net change in fund balance	<u>\$ 669,760</u>	<u>\$ 4,121</u>		

Overall fund financial statement revenues increased by 113.63%. The increase was mainly due to the two grants totaling \$863,583 and an increase in charges for services due to recreation and childcare programs opening up post Covid-19. Expenditures increased by 38.94% primarily due to a loan payoff and increased costs due to the increase in recreation and childcare activities.

Budgetary Highlights

Overall, actual revenues were more than budgeted revenues by \$900,361 mostly due to grant revenues. Also, childcare revenues increased due to an increase in childcare services provided. Expenditures exceeded budgeted amounts by \$278,421. The largest difference was related to the note payable payoff during the year. There were also \$66,382 in capital outlay expenditures and proceeds of debt of \$53,163.

Rim of the World Recreation & Park District

Management's Discussion and Analysis For the Year Ended June 30, 2022

Capital Asset Administration

Changes in capital assets for fiscal year 2022 were as follows:

	<u>2022</u>	<u>2021</u>	<u>% change</u>	<u>\$ change</u>
Capital assets not being depreciated	\$ 1,312,849	\$ 1,312,849	0.00%	\$ -
Capital asset being depreciated	2,714,667	2,648,285	2.51%	66,382
Less accumulated depreciation	<u>(1,471,186)</u>	<u>(1,398,617)</u>	5.19%	<u>(72,569)</u>
Total capital assets, net	<u>\$ 2,556,330</u>	<u>\$ 2,562,517</u>	-0.24%	<u>\$ (6,187)</u>

At the end of fiscal year 2022, the District's investment in capital assets amounted to \$2,556,330 (net of accumulated depreciation). This investment in capital assets is primarily comprised of basic infrastructure assets and equipment. For more information regarding capital assets, please see Note 3 to the basic financial statements.

Long-term Liabilities Administration

Long-term liabilities for fiscal year 2022 were as follows:

	<u>2022</u>	<u>2021</u>	<u>% change</u>	<u>\$ change</u>
Note payable - California Bank & Trust	\$ -	\$ 351,855	-100.00%	\$ (351,855)
SBCERA loan	384,794	418,254	-8.00%	(33,460)
Ca. Energy Commission loan	149,560	103,620	44.34%	45,940
Compensated absences	<u>33,041</u>	<u>24,890</u>	32.75%	<u>8,151</u>
Total long-term liabilities	<u>\$ 567,395</u>	<u>\$ 898,619</u>	-36.86%	<u>\$ (331,224)</u>

At the end of fiscal year 2022, the District had secured debt of \$149,560, of which \$8,118 is designated as long-term. Similarly, the District had \$33,041 in compensated absences, of which \$9,912 is designated as long-term. The District has a loan agreement with the San Bernardino County Employees' Retirement Association to pay for the unfunded portion of the District's pension liability due to the District's termination from the plan. Of the SBCERA debt, \$351,334 is considered long-term. During the current year, the District received proceeds of debt of \$53,163 from the California Energy Commission for its solar project. Also during the current year, the District paid, in full (\$351,855), its note payable. For additional information regarding long-term liabilities, please see Note 4 to the basic financial statements.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at P.O. Box 8 – 26577 State Highway 18, Rimforest, CA 92378.

Rim of the World Recreation & Park District

Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,549,130
Receivables:	
Accounts, net	27,082
Intergovernmental	29,401
Interest	1,206
Employee advance	3,260
Leases	198,999
Capital assets not being depreciated	1,312,849
Capital assets being depreciated, net	<u>1,243,481</u>
Total assets	<u>4,365,408</u>
LIABILITIES	
Accounts payable	40,459
Accrued wages and benefits	31,937
Noncurrent liabilities:	
Due within one year	51,490
Due in more than one year	<u>515,905</u>
Total liabilities	<u>639,791</u>
DEFERRED INFLOWS OF RESOURCES	
Lease related	<u>197,050</u>
NET POSITION	
Net investment in capital assets	2,406,770
Restricted - capital improvements	540,000
Unrestricted	<u>581,797</u>
Total net position	<u><u>\$ 3,528,567</u></u>

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

Rim of the World Recreation & Park District

**Statement of Activities
For the year ended June 30, 2022**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Governmental Activities</u>
Governmental activities:					
Administration	\$ 551,533	\$ 982,989	\$ 879,843	\$ -	\$ 1,311,299
Recreation	370,419	70,419	-	-	(300,000)
Childcare	227,184	195,871	-	-	(31,313)
Interest expense	14,964	-	-	-	(14,964)
Total governmental activities	<u>\$ 1,164,100</u>	<u>\$ 1,249,279</u>	<u>\$ 879,843</u>	<u>\$ -</u>	<u>965,022</u>
General revenues:					
Investment earnings					4,968
Other					<u>24,807</u>
Total general revenues					<u>29,775</u>
Change in net position					994,797
Net position, beginning of year					<u>2,533,770</u>
Net position, end of year					<u>\$ 3,528,567</u>

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

Rim of the World Recreation & Park District

Balance Sheet
Governmental Fund
June 30, 2022

ASSETS

Current assets:

Cash and investment	\$ 1,549,130
Receivables:	
Accounts, net	27,082
Intergovernmental	29,401
Interest	1,206
Employee advance	3,260
Leases receivable - current portion	<u>61,750</u>

Total current assets 1,671,829

Noncurrent assets:

Leases receivable 137,249

Total assets \$ 1,809,078

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 40,459
Accrued wages and benefits	<u>31,937</u>

Total liabilities 72,396

DEFERRED INFLOW OF RESOURCES

Lease related 197,050

Fund balance:

Assigned:

Operating reserve	50,729
Capital replacement reserve	38,738
Capital acquisition reserve	22,614
Restricted - capital improvements	540,000
Unassigned	<u>887,551</u>

Total fund balance 1,539,632

Total liabilities, deferred inflows of resources and fund balance \$ 1,809,078

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

Rim of the World Recreation & Park District

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
Governmental Fund
June 30, 2022

Fund balance of governmental fund	\$ 1,539,632
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	2,556,330
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds.	
Ca. Energy Commission loan	(149,560)
Loan payable - SBCERA	(384,794)
Compensated absences payable	<u>(33,041)</u>
Net position of governmental activities	<u><u>\$ 3,528,567</u></u>

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

Rim of the World Recreation & Park District

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the year ended June 30, 2022

REVENUES

Special assessments, current and prior	\$	827,332
Rents and concessions		155,657
Investment earnings		4,968
Charges for services:		
Recreation		70,419
Childcare		195,871
Contributions and donations		879,843
Other		24,807
		<hr/>
Total revenues		2,158,897

EXPENDITURES

Administration:		
Salaries and benefits		326,177
Services and supplies		209,130
Recreation:		
Salaries and benefits		96,507
Services and supplies		217,449
Childcare:		
Salaries and benefits		204,138
Services and supplies		15,015
Debt service:		
Principal		392,538
Interest		14,964
Capital outlay		66,382
		<hr/>
Total expenditures		1,542,300

Excess of revenues over (under) expenditures

 616,597

OTHER FINANCING SOURCES

Issuance of debt		53,163
		<hr/>
Total other financing sources		53,163

Net change in fund balance

 669,760

Fund balance, beginning of year

 869,872

Fund balance, end of year

 \$ 1,539,632

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

Rim of the World Recreation & Park District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
For the year ended June 30, 2022

Net change in fund balance - total governmental fund	\$ 669,760
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays 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 or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized, less net book value of disposals	66,382
Depreciation expense	(72,569)
Issuance of debt provides current financial resources to governmental funds while the repayment of principal consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments	392,538
Proceeds of debt	(53,163)
Compensated absences expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	<u>(8,151)</u>
Change in net position of governmental activities	<u><u>\$ 994,797</u></u>

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

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements For the year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Rim of the World Recreation & Park District (the District) conform to generally accepted accounting principles.

Organization

The District was established on December 5, 1985 by the issuance of the Certificate of Completion by the Local Agency Formation Commission (LAFCO). The District is governed by an elected Board of Directors, elected by District voters.

The District acquires and manages parks for public use, organizes and manages recreational activities, as well as assisting other groups and organizations with recreational endeavors. Childcare is also provided at various locations within the District to provide recreational activities for children, as well as providing needed daytime child supervision for the individuals within the District.

The District's primary source of revenue comes from a \$22 per parcel special parcel tax for each non-exempt parcel (parcels located within Cedar Pines Park, as well as government owned parcels are considered exempt) within the District boundaries. In addition, the District charges childcare fees, recreational fees for various programs as well as facilities use fees, including reimbursements for various costs such as ball field lighting. The District has no power to levy and collect taxes.

Basis of accounting and measurement focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide financial statements

Government-wide financial statements display information about the reporting government as a whole, except for any fiduciary activities (the District has no fiduciary activities). Those statements include separate columns for the governmental and business-type activities of the entity (including any blended component units), as well as its discretely presented component units. The District has no business-type activities or component units.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Notes to the Basic Financial Statements
For the year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds from debt issued are recorded as a liability in the government-wide financial statements, rather than as an *other financing source*. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund financial statements

The underlying account system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, fund equity, revenues and expenditures or expenses, as appropriate. Governmental 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 spending activities are controlled.

Fund financial statements for the District's governmental fund are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Currently, the District has only one fund.

Governmental funds

In the fund financial statements, the governmental fund is presented using the *modified-accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available*. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses a sixty-day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental fund in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements
For the year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of debt issued are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Accounts receivable

Accounts receivables from customers are reported at their estimated net realizable value. The allowance for doubtful accounts is estimated based on the District's historical losses and existing economic conditions. Because of the inherent uncertainty in estimating bad debts, it is reasonably possible that the estimates used to calculate the allowance will change in the near term. Currently, accounts receivable are reported in the financial statements as follows:

Accounts receivable	\$ 27,310
Allowance for uncollectible accounts	<u>(228)</u>
Net realizable value	<u>\$ 27,082</u>

Fund classifications

The following fund is presented as a major fund in the accompanying basic financial statements: The *General Fund* is used to account for all activity not required to be accounted for in another fund.

Implementation of new pronouncements

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, see Note 9.

Notes to the Basic Financial Statements
For the year ended June 30, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Fair value investments

Generally accepted accounting principles establish fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values. Accordingly, the District reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Cash and investments

Cash and investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* include interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Capital assets

Capital assets of \$5,000 or more are capitalized with a useful life of over one year. Capital assets are recorded at cost for asset purchases where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated acquisition value at the date of the contribution.

The estimated useful lives of capital assets using the straight-line method of depreciation are as follows:

<u>Category</u>	<u>Useful life</u>
Buildings and improvements	10 – 50 years
Machinery and equipment	2 – 20 years

Compensated absences

Salaried full-time employees earn personal time off benefits and can accumulate a balance from year to year. The amount payable in future years when used by the District's employees amounted to \$33,041 at June 30, 2022.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenditures during the reporting period. Accordingly, actual results could differ from these estimates.

Property taxes/assessments

The County of San Bernardino (County) bills and collects property taxes/assessments on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year taxes/assessments are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes/assessments attach a lien on the property on March 1. Taxes/assessments are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2022**

Note 1: Summary of Significant Accounting Policies (continued)

Fund equity

The District reports its fund balance in accordance with generally accepted accounting principles. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The District Board (the highest level of authority) establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Board has authorized the General Manager to assign fund balance to a specific purpose as approved by the District's Fund Balance Policy.

Net investment in capital assets

Net investment in capital assets consists of the following:

Capital assets	\$ 4,027,516
Accumulated depreciation	(1,471,186)
Related debt:	
California Energy Commission	<u>(149,560)</u>
Net investment in capital assets	<u>\$ 2,406,770</u>

Deferred inflows and outflows of resources

Deferred outflows of resources are transactions that result in the consumption of net position in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net position in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

The statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements
For the year ended June 30, 2022

Note 2: Cash and Investments

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 1,549,130
Total cash and investments	<u>\$ 1,549,130</u>

Cash and investments as of June 30, 2022 consist of the following:

Bank deposits	\$ 904,318
Petty cash and undeposited funds	500
Investments	<u>644,312</u>
Total cash and investments	<u>\$ 1,549,130</u>

Investments authorized by the California Government Code and the District's investment policy

The table below identifies the *investment types* that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Code (or the District's investment policy, if more restrictive) that address *interest rate risk* and *concentration of credit risk*.

Investment types authorized by investment policy	Maximum maturity*	Maximum percentage of portfolio*	Maximum investment in one issuer*
Bonds issued by the District	5 years	None	None
US Treasury bills, notes and bonds	5 years	None	None
Registered State warrants, notes or bonds	5 years	None	None
Local Agency debt	5 years	None	None
US Agency obligations	5 years	None	None
Bankers acceptances	180 days	40%	30%
Commercial paper	180 days	15%	30%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20%	None
Corporate medium term notes	5 years	30%	None
Money market mutual funds	N/A	15%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass through securities	5 years	20%	None
State investment pool (LAIF)	N/A	None	\$75 million

Any other investment authorized under the government code

* = Based on state law requirements or investment policy requirements, whichever is more restrictive.

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2022**

Note 2: Cash and Investments (continued)

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by diversifying its investment maturities evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	Remaining Maturity		
		12 Months or Less	13 to 24 Months	25 to 60 Months
State investment pool	\$ 644,312	\$ 644,312	\$ -	\$ -
Total	\$ 644,312	\$ 644,312	\$ -	\$ -

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District holds no investments subject to credit risk.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 or investments, other than the following provisions 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 governmental unit). The market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

On June 30, 2022, the District held bank balances with California Bank & Trust which are insured up to \$250,000 by the FDIC. Amounts in excess of the FDIC insurance are collateralized by the bank in accordance with the California Government Code.

Fair value measurement

The District does not have any investments subject to fair value hierarchy in accordance with generally accepted accounting principles.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements
For the year ended June 30, 2022

Note 2: Cash and Investments (continued)

Concentration of credit risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of *total District investments* for the year ended June 30, 2022.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Currently, LAIF does not have an investment rating. LAIF currently requires a one-day prior notice for deposits and withdrawals of \$10 million or more. A minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month.

Note 3: Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2022, were as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 574,257	\$ -	\$ -	\$ 574,257
Improvements to land	738,592	-	-	738,592
Total capital assets not being depreciated	1,312,849	-	-	1,312,849
Capital assets being depreciated:				
Structures and improvements	2,007,018	-	-	2,007,018
Equipment and vehicles	150,415	55,432	-	205,847
Depreciable improvements to land	490,852	10,950	-	501,802
Total capital assets being depreciated	2,648,285	66,382	-	2,714,667
Less accumulated depreciation	(1,398,617)	(72,569)	-	(1,471,186)
Total capital assets being depreciated, net	1,249,668	(6,187)	-	1,243,481
Total capital assets, net	\$ 2,562,517	\$ (6,187)	\$ -	\$ 2,556,330

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2022**

Note 3: Capital Assets (continued)

Depreciation expense has been charged to the following functions as follows:

Administration	\$ 11,993
Recreation	55,204
Childcare	<u>5,372</u>
Total depreciation expense	<u><u>\$ 72,569</u></u>

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2022, were as follows:

<u>Long-term debt - Direct Borrowing</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Current portion</u>
Note payable - California Bank & Trust	\$ 351,855	\$ -	\$(351,855)	\$ -	\$ -
SBCERA loan	418,254	-	(33,460)	384,794	33,460
Ca Energy Commission loan	<u>103,620</u>	<u>53,163</u>	<u>(7,223)</u>	<u>149,560</u>	<u>8,118</u>
Subtotal	<u>873,729</u>	<u>53,163</u>	<u>(392,538)</u>	<u>534,354</u>	<u>41,578</u>
<u>Other long-term liabilities</u>					
Compensated absences	<u>24,890</u>	<u>44,168</u>	<u>(36,017)</u>	<u>33,041</u>	<u>9,912</u>
Total long-term liabilities	<u><u>\$ 898,619</u></u>	<u><u>\$ 97,331</u></u>	<u><u>\$(428,555)</u></u>	<u><u>\$ 567,395</u></u>	<u><u>\$ 51,490</u></u>

In July 2014, the District refinanced its \$606,000 note payable with Union Bank with a note payable from California Bank & Trust. The new note requires monthly payments of \$3,058 based on a 10-year amortization schedule at a fixed interest rate based on the lender's LIBOR/Swap rate which as of June 30, 2021 was 5.379%. At no time shall the rate be below 5.20%. At the end of the tenth year, a balloon payment of approximately \$378,347 is due and payable. Real property and improvements at 26577 State Highway 18, RimForest, CA are collateral for the note. The District's outstanding loan from direct borrowings contain a provision that in an event of default, all indebtedness immediately will become due and payable. The note was paid in full in the current fiscal year.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements
For the year ended June 30, 2022

Note 4: Long-Term Liabilities (continued)

Loan payable - San Bernardino County Employees' Retirement Association - Direct borrowing

On December 2, 2013, the District elected to terminate its participation in the San Bernardino County Employees' Retirement Association (SBCERA). As a result, SBCERA calculated an unfunded termination liability as of May 31, 2013 which amounted to \$669,204. On January 27, 2014, the District entered into a loan agreement with SBCERA to pay off the unfunded balance. The agreement requires monthly payments of \$2,788 over a twenty year period, beginning January 2014. The loan does not carry an interest rate.

\$ 384,794

Ca. Energy Commission loan - Direct borrowing

In March 2020, the District entered into an agreement with the California Energy Commission for a loan of \$156,783 to retrofit and install energy saving equipment, including solar PV systems at three District sites. The loan carries an interest rate of 1.00%. The loan is due and payable in semiannual installments each June and December 22 until paid in full with the first payment due December 22, 2022. Currently, the loan balance is \$103,620 and the following amortization schedule is based on this amount.

149,560

Total notes and loans payable

\$ 534,354

The annual requirements to amortize the SBCERA loan payable outstanding as of June 30, 2022, including interest payments to maturity, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 33,460	\$ -
2024	33,460	-
2025	33,460	-
2026	33,460	-
2027	33,460	-
2028-2032	167,300	-
2033-2034	<u>50,194</u>	<u>-</u>
Totals	<u>\$ 384,794</u>	<u>\$ -</u>

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2022**

Note 4: Long-Term Liabilities (continued)

The annual requirements to amortize the California Energy Commission loan payable outstanding as of June 30, 2022, including interest payments to maturity, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 8,118	\$ 1,477
2024	8,196	1,399
2025	8,282	1,313
2026	8,364	1,230
2027	8,449	1,146
2028-2032	43,527	4,447
2033-2037	45,757	2,217
2038-2039	18,867	232
Totals	<u>\$ 149,560</u>	<u>\$ 13,461</u>

Note 5: Employees' Retirement Plans

Currently, the District participates in the following retirement plans:

Accumulation Program for Part-time and Limited-Service Employees (APPLE) – defined contribution

The District currently offers a defined contribution plan for employees classified as part-time, seasonal or temporary and who are not eligible to participate in the PERS 457 plan. The plan is administered by Keenan & Associates and MidAmerica Administrative Services. The District contributes 3.75% percent of the employee's compensation. In addition, each participant is required to contribute 3.75% of their salary. During the current fiscal year, the District contributed \$8,188 to the plan.

PERS 457 Plan – defined contribution

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Currently, the District contributes 10% of the employee salary. Pursuant to the IRC 457 subsection (g): all amounts of compensation deferred under the plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the plan. Deferred compensation funds are not subject to claims of the District's general creditor; consequently, the assets and related liabilities of the plan are not included within the District's financial statements. The District contributed \$35,294 to the plan in the current fiscal year.

Note 6: Commitments and Contingencies

The District, from time to time, receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. District management believes such disallowances, if any, would not have a material effect on the District's financial position.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements For the year ended June 30, 2022

Note 7: Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

Insurance pooling - The District participates in the California Association for Park and Recreation Indemnity (CAPRI) insurance program. CAPRI is a joint powers agency comprised of California special districts. CAPRI provides the following coverage:

- *Comprehensive general liability (including automobile liability coverage)* – Coverage with a \$1 million limit per occurrence for personal injury and property damage to which the coverage applies. CAPRI also purchases an excess policy with limits of \$24 million excess of \$1 million (general liability, automobile liability, and public official and employee liability coverage). There is no deductible to the District for general liability claims.
- *Public officials and employee liability* – Coverage has a \$25 million annual aggregate limit per member. For each covered claim, there is a deductible of \$20,000 per occurrence, per member. The deductible will be reduced to \$5,000 for any employment liability lawsuit brought by an employee.
- *All risk property loss (including boiler and machinery)* – Coverage with an annual aggregate limit of \$1 billion shared by the membership, subject to a deductible up to \$2,000 per member. Boiler and machinery has an excess limit of \$100 million. Earthquake coverage has an annual aggregate limit for all members of \$5 million per occurrence. The deductible for all loss or damage arising from the risks of earthquake is \$50,000 per occurrence or 5% of the value of the building, contents, and/or structure damage, whichever is greater. For wildfire, coverage is for \$150,000 and then picks up from \$5 million to limits. Flood has an annual limit of \$10 million. The deductible for all loss or damage arising from the risk of flood is \$50,000.
- *Excess general liability* – In addition, the District has purchased excess general liability insurance with coverage up to \$2 million (limits inclusive of the Districts \$1 million retention).

Major loss risks are covered by umbrella policies, but several losses and multiple deductible losses to the group could result in additional assessments to the District. The pool has substantial reserves and has not requested additional assessments of members since the District began participation. Management considers the likelihood of such an assessment to be remote.

Workers' compensation coverage is provided by the Special District Risk Management Authority (SDRMA). SDRMA is an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. seq. SDRMA provides statutory limits per occurrence for workers compensation and \$5,000,000 for employer's liability coverage with no member deductible.

There have been no significant reductions in insurance coverage from the prior year.

Note 8: Excess of expenditures over budget

Actual expenditures exceeded final budgeted amounts by \$278,421. This was primarily due to the payoff of a loan payable (\$315,160 unbudgeted) during the current fiscal year.

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2022**

Note 9: Leases Receivable

Cell towers

As of July 1, 2021, the District entered into a 36-month lease as Lessor for the use of Communication Facility - Verizon. An initial lease receivable was recorded in the amount of \$76,454. As of June 30, 2022, the value of the lease receivable is \$51,149. The lessee is required to make annual fixed payments of \$25,800. The lease has an interest rate of 0.845% (incremental borrowing rate). The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$53,090, and District recognized lease revenue of \$25,800, including interest revenue, during the fiscal year. The Lessee can terminate the lease at the end of the then current term by giving the District written notice of the intent to terminate at least six months prior to the end of the then current term.

As of July 1, 2021, the District entered into a 60-month lease as Lessor for the use of Communication Facility – T-Mobile. An initial lease receivable was recorded in the amount of \$176,278. As of June 30, 2022, the value of the lease receivable is \$147,850. The lessee is required to make annual fixed payments ranging from \$30,427 to \$40,030. Monthly payments increase 3% per year over the life of the lease. The lease has an interest rate of 1.335% (incremental borrowing rate). The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$143,960, and District recognized lease revenue of \$30,427, including interest revenue, during the fiscal year. The Lessee can terminate the lease at the end of the then current term by giving the District written notice of the intent to terminate at least sixty days prior to the end of the then current term.

Required Supplementary Information

Rim of the World Recreation & Park District

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2022**

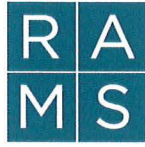
	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Special assessments, current and prior	\$ 755,000	\$ 755,000	\$ 827,332	\$ 72,332
Rents and concessions	144,616	144,616	155,657	11,041
Investment earnings	771	771	4,968	4,197
Charges for services:				
Recreation	79,300	79,300	70,419	(8,881)
Childcare	75,000	75,000	195,871	120,871
Contributions and donations	200,000	200,000	879,843	679,843
Other	3,849	3,849	24,807	20,958
Total revenues	1,258,536	1,258,536	2,158,897	900,361
EXPENDITURES				
Administration:				
Salaries and benefits	343,746	343,746	326,177	17,569
Services and supplies	316,274	316,274	209,130	107,144
Recreation:				
Salaries and benefits	101,705	101,705	96,507	5,198
Services and supplies	194,158	194,158	217,449	(23,291)
Childcare:				
Salaries and benefits	215,133	215,133	204,138	10,995
Services and supplies	22,708	22,708	15,015	7,693
Debt service:				
Principal	67,579	67,579	392,538	(324,959)
Interest	2,576	2,576	14,964	(12,388)
Capital outlay	-	-	66,382	(66,382)
Total expenditures	1,263,879	1,263,879	1,542,300	(278,421)
Excess of revenues over (under) expenditures	(5,343)	(5,343)	616,597	621,940
OTHER FINANCING SOURCES				
Issuance of debt	-	-	53,163	53,163
Total other financing sources	-	-	53,163	53,163
Net change in fund balance	(5,343)	(5,343)	669,760	675,103
Fund balance, beginning of year	869,872	869,872	869,872	-
Fund balance, end of year	\$ 864,529	\$ 864,529	\$ 1,539,632	\$ 675,103

Rim of the World Recreation & Park District

**Notes to Required Supplementary Information
For the year ended June 30, 2022**

Note 1: Budgetary Control and Accounting

The District adopts an annual budget prepared on the modified accrual basis of accounting for its governmental fund types.



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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

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Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Brenda L. Odle, CPA, MST (Partner Emeritus)

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*Governmental Audit
Quality Center*

*Employee Benefit Plan
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California Society of
Certified Public Accountants



Independent Auditor's Report

The Governing Body
Rim of the World Recreation & Park District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Rim of World Recreation & Park District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 1, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, that we consider to be material weaknesses (this is a continuing finding).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 1, 2022

Schedule of Findings and Responses

Finding 2022-001: Segregation of Duties (*material weakness*)

Observation

During our audit of the District, we noted a lack of segregation of duties in the District's accounting process. Currently, one employee controls the general ledger (posts journal entries and other adjustments), performs the bank reconciliation, processes payroll, makes bank deposits, etc. Proper segregation of duties dictates that the functions of recording, authorization, custody, and execution are not dominated by one individual. Adequately segregated duties helps to reduce the possibility of fraud and defalcations from occurring and to ensure the integrity of the information provided by the District's financial reporting system.

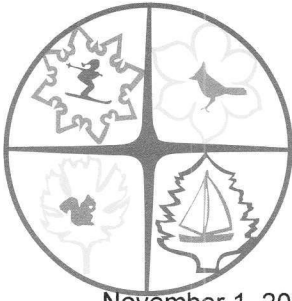
As stated above, an adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. However, we realize that this is due to the limited number of employees available to the District to perform numerous, and sometimes incompatible, duties. As such, there may be no practical corrective action possible for this inherent weakness. However, we believe it is important for management and the Board to be aware that whenever a limited number of people are in control of the accounting process, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered.

Recommendation

We commend the District for adopting policies which have strengthened this area of internal control, but with only one individual currently performing the accounting function this will be a continuing issue.

Management response

The District has determined that hiring additional staff to provide for additional segregation of duties would be prohibitively expensive in view of the fixed nature of apportionment tax funding not currently indexed to inflation. However, the District has incrementally instituted internal audit procedures to reduce as much as possible the likelihood that irregularities could compromise the accounting function undetected.



November 1, 2022

Rim of the World Recreation and Park District

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Rogers Anderson Malody & Scott, LLP
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San Bernardino, CA 92408

This representation letter is provided in connection with your audit of the government-wide and fund financial statements of Rim of the World Recreation & Park District (the District) as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position and the results of operations of the various opinion units of the District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 1, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 10, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- Provisions for uncollectible receivables have been properly identified and recorded.

- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense/expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues or general revenues.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to you preparing our financial statements from the audited trail balance, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

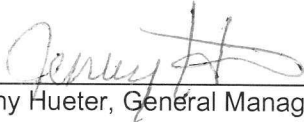
- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have no knowledge of fraud or suspected fraud that affects the District and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of allegations of fraud, or suspected fraud, affecting the District's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (FASB Accounting Standards Codification™ (ASC) 450, *Contingencies*), and we have not consulted a lawyer concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.


Required Supplementary Information

With respect to the budgetary comparison information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the budgetary comparison information in accordance with the applicable criteria.
- We believe the budgetary comparison information including its form and content, is measured and fairly presented in accordance with the applicable criteria.
- The methods of measurement or presentation have not changed from those used in the prior period



Jenny Hueter, General Manager



Rick De Prisco, Finance Manager



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

May 10, 2022

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To the Board of Directors
Rim of the World Recreation & Park District
PO Box 8
Rimforest, CA 92378

This letter is provided in connection with our engagement to audit the financial statements of the Rim of the World Recreation & Park District (the District) as of and for the year ended June 30, 2022. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit, including significant risks we have identified.

Our Responsibilities

As stated in our engagement letter dated May 10, 2022, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*, for the purpose of forming and expressing opinions about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and State regulations governing special districts. Our audit does not relieve you or management of your respective responsibilities.

Our responsibility as it relates to any supplementary information, is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our responsibility for the required supplementary information included in the document containing the audited financial statements and our report thereon includes only the information identified in our report. We have no responsibility for determining whether the required supplementary information is properly stated.

Our responsibility relating to other information, whether financial or nonfinancial information (other than financial statements and the auditor's report thereon), included in the entity's annual report includes only the information identified in our report. We require that we receive the final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report, or if that is not possible, as soon as practicable and, in any case, prior to the entity's issuance of such information.

Planned Scope of the Audit

Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, but not absolute, assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

Our audit will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and as a basis for designing the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. However, we will communicate to you at the conclusion of our audit any material weaknesses or significant deficiencies identified. We will also communicate to you:

- Any violation of laws or regulations that come to our attention;
- Our views relating to qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Disagreements with management, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

Certain significant risks are presumptive in most audits and merit attention by the auditors due to the direct impact over financial reporting and internal control processes. Although we are currently in the planning stage of our audit, the following presumptive significant risks are applicable to our audit and require special audit considerations:

- *Management's override of internal controls over financial reporting:* Auditors must consider and respond to the risk of management override of internal controls, which is the intervention by management in handling financial information and making decisions contrary to internal control policy.
- *Revenue recognition:* Auditors must consider and respond to the risk of management subversion of generally accepted accounting principles in determining how and when revenue is recognized.

We expect to begin our audit on approximately September 6, 2022. Scott W. Manno, CPA, CGMA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Board of Directors
Rim of the World Recreation & Park District

This information is intended solely for the information and use of the Board of Directors and management of Rim of the World Recreation and Park District and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Rogers, Anderson, Malody & Scott, LLP.