Rim of the World
Recreation and Park District

Financial Statements and
Independent Auditor's Report

For the year ended June 30, 2023

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

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, 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.

STABILITY. ACCURACY. TRUST.

Responsibilities of Management for the Financial Statements

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 October 19, 2023 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
October 19, 2023

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, 2023. 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 decreased 6.25% from $3,528,567 to $3,308,054 in 2023 as a result of current year operations.
- During the year, the District's assessment revenues decreased by 6.17% or $51,053 in 2023.
- Overall, revenues decreased by 41.64% from $2,158,897 to $1,259,825 in 2023. This overall decrease was the result of significant one-time grant income in the prior year.
- In the fund statements, total expenditures increased by 26.19% from $1,542,300 to $1,946,244 in 2023. 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 had $477,787 in capital outlay related its community centers in the current year, the prior year only had $66,382 in capital outlay.

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.

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 $3,308,054, a decrease of 6.25%, as of June 30, 2023.

	2023	2022	% change	$ change
ASSETS				
Current and other	$ 1,084,429	$ 1,809,078	-40.06%	$ (724,649)
Capital, net	2,968,993	2,556,330	16.14%	412,663
Total assets	4,053,422	4,365,408	-7.15%	(311,986)
LIABILITIES				
Current and other	142,976	123,886	15.41%	19,090
Due in more than one year	466,083	515,905	-9.66%	(49,822)
Total liabilities	609,059	639,791	-4.80%	(30,732)
DEFERRED INFLOW OF RESOURCES				
Lease related	136,309	197,050	100.00%	(60,741)
NET POSITION				
Net investment in capital assets	2,827,552	2,406,770	17.48%	420,782
Restricted	152,097	540,000	100.00%	(387,903)
Unrestricted	328,405	581,797	-43.55%	(253,392)
Total net position	$ 3,308,054	$ 3,528,567	-6.25%	$ (220,513)

$2,827,552 of the District's net position as of June 30, 2023 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 $152,097 in restricted net position (prior year was $540,000). 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 2023, the District showed a balance in its unrestricted net position of $328,405.

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position decreased by $220,513 for the fiscal year ended June 30, 2023.

REVENUES	2023	2022	% change	$ change
Program revenues				
Charges for services	$ 1,251,783	$ 1,249,279	0.20%	$ 2,504
Operating grants and contributions	-	879,843	-100.00%	(879,843)
General revenues				
Investment earnings	7,268	4,968	46.30%	2,300
Other	774	24,807	-96.88%	(24,033)
Total revenues	1,259,825	2,158,897	-41.64%	(899,072)
EXPENSES				
Administration	762,300	551,533	38.21%	210,767
Recreation	465,898	370,419	25.78%	95,479
Childcare	250,664	227,184	10.34%	23,480
Interest expense	1,476	14,964	-90.14%	(13,488)
Total expenses	1,480,338	1,164,100	27.17%	316,238
Increase in net position	(220,513)	994,797	-122.17%	(1,215,310)
Net position, beginning of year	3,528,567	2,533,770		
Net position, end of year	$ 3,308,054	$ 3,528,567		

- The charges for service remained relatively flat year over year.
- Operating grants and contributions decreased due to a one-time grant from the County of San Bernardino for $540,000 and Covid-19 relief funds, from the State's General Fund, of $323,583 in the prior year.
- The increases in administration, recreation and childcare expenses are primarily due an increase in salaries and related benefits (two additional maintenance workers).

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.

As of June 30, 2023, the District's Governmental Fund reported a fund balance of $853,213 of which $409,035 is unassigned and available for future District expenditures. $292,081 of fund balance has been assigned to various reserve accounts. $152,097 is restricted for capital improvements.

	2023	2022	% change	$ change
REVENUES				
Special assessments, current and prior	$ 776,279	$ 827,332	-6.17%	$ (51,053)
Rents and concessions	152,503	155,657	-2.03%	(3,154)
Investment earnings	7,268	4,968	46.30%	2,300
Charges for services:				
Recreation	87,039	70,419	23.60%	16,620
Childcare	235,907	195,871	20.44%	40,036
Contributions and donations	-	879,843	-100.00%	(879,843)
Other	829	24,807	-96.66%	(23,978)
Total revenues	1,259,825	2,158,897	-41.64%	(899,072)
EXPENDITURES				
Administration:				
Salaries and benefits	502,217	326,177	53.97%	176,040
Services and supplies	264,917	209,130	26.68%	55,787
Recreation:				
Salaries and benefits	137,958	96,507	42.95%	41,451
Services and supplies	272,553	217,449	25.34%	55,104
Childcare:				
Salaries and benefits	216,138	204,138	5.88%	12,000
Services and supplies	31,619	15,015	110.58%	16,604
Debt service:				
Principal	41,579	392,538	-89.41%	(350,959)
Interest	1,476	14,964	-90.14%	(13,488)
Capital outlay	477,787	66,382	619.75%	411,405
Total expenditures	1,946,244	1,542,300	26.19%	403,944
Excess of revenues over/(under) expenditures	(686,419)	616,597		
OTHER FINANCING SOURCES (USES)				
Debt issued	-	53,163	-100.00%	(53,163)
Total other financing sources (uses)	-	53,163		
Net change in fund balance	$ (686,419)	$ 669,760		

Overall fund financial statement revenues decreased by 41.64%. The decrease was mainly due to the two grants received in the prior year totaling $863,583. Expenditures increased by 26.19% primarily due to a capital outlay for the community centers and increased costs due to the increase in wages.

Budgetary Highlights

Overall, actual revenues were less than budgeted revenues by $124,760. Childcare revenues were under budget by $52,093 and budgeted grant revenues of $75,000 were not realized. Expenditures exceeded budgeted amounts by only $22,935.

Capital Asset Administration

Changes in capital assets for fiscal year 2023 were as follows:

	2023	2022	% change	$ change
Capital assets not being depreciated	$ 1,312,849	$ 1,312,849	0.00%	$ -
Capital asset being depreciated	3,206,651	2,714,667	18.12%	491,984
Less accumulated depreciation	(1,550,507)	(1,471,186)	5.39%	(79,321)
Total capital assets, net	$ 2,968,993	$ 2,556,330	16.14%	$ 412,663

At the end of fiscal year 2023, the District's investment in capital assets amounted to $2,968,993 (net of accumulated depreciation). This investment in capital assets is primarily comprised of basic infrastructure assets and equipment. The increase is primarily due to the improvements done at the community centers using County grant funds. 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 2023 were as follows:

	2023	2022	% change	$ change
SBCERA loan	$ 351,334	$ 384,794	-8.70%	$ (33,460)
Ca. Energy Comission loan	141,441	149,560	-5.43%	(8,119)
Compensated absences	21,377	33,041	-35.30%	(11,664)
Total long-term liabilities	$ 514,152	$ 567,395	-9.38%	$ (53,243)

At the end of fiscal year 2023, the District had secured debt of $141,441, of which $133,245 is designated as long-term. Similarly, the District had $21,377 in compensated absences, of which $14,964 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, $317,874 is considered long-term. 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, 2023

	Governmental Activities
ASSETS	
Cash	$ 903,734
Receivables:	
Accounts, net	9,602
Intergovernmental	26,934
Interest	5,146
Leases	139,013
Capital assets not being depreciated	1,312,849
Capital assets being depreciated, net	1,656,144
Total assets	4,053,422
LIABILITIES	
Accounts payable	61,864
Accrued wages and benefits	26,268
Other current liabilities	6,775
Noncurrent liabilities:	
Due within one year	48,069
Due in more than one year	466,083
Total liabilities	609,059
DEFERRED INFLOWS OF RESOURCES	
Lease related	136,309
NET POSITION	
Net investment in capital assets	2,827,552
Restricted - capital improvements	152,097
Unrestricted	328,405
Total net position	$ 3,308,054

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, 2023

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Governmental Activities
Governmental activities:					
Administration	$ 762,300	$ 928,837	$ -	$ -	$ 166,537
Recreation	465,898	87,039	-	-	(378,859)
Childcare	250,664	235,907	-	-	(14,757)
Interest expense	1,476	-	-	-	(1,476)
Total governmental activities	$ 1,480,338	$ 1,251,783	$ -	$ -	(228,555)
General revenues:					
Investment earnings					7,268
Other					774
Total general revenues					8,042
Change in net position					(220,513)
Net position, beginning of year					3,528,567
Net position, end of year					$ 3,308,054

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

Rim of the World Recreation & Park District

Balance Sheet
Governmental Fund
June 30, 2023

ASSETS		
Current assets:		
Cash and investment	$	903,734
Receivables:		
Accounts, net		9,602
Intergovernmental		26,934
Interest		5,146
Total current assets		945,416
Noncurrent assets:		
Leases receivable		139,013
Total assets	$	1,084,429
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	61,864
Accrued wages and benefits		26,268
Other current liabilities		6,775
Total liabilities		94,907
DEFERRED INFLOW OF RESOURCES		
Lease related		136,309
Fund balance:		
Assigned:		
Operating reserve		50,729
Capital replacement reserve		38,738
Capital acquisition reserve		202,614
Restricted - capital improvements		152,097
Unassigned		409,035
Total fund balance		853,213
Total liabilities, deferred inflows of resources and fund balance	$	1,084,429

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, 2023

Fund balance of governmental fund	$ 853,213
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.	2,968,993
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds.	
Ca. Energy Commission loan	(141,441)
Loan payable - SBCERA	(351,334)
Compensated absences payable	(21,377)
Net position of governmental activities	$ 3,308,054

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, 2023

REVENUES	
Special assessments, current and prior	$ 776,279
Rents and concessions	152,503
Investment earnings	7,268
Charges for services:	
Recreation	87,039
Childcare	235,907
Other	829
Total revenues	1,259,825
EXPENDITURES	
Administration:	
Salaries and benefits	502,217
Services and supplies	264,917
Recreation:	
Salaries and benefits	137,958
Services and supplies	272,553
Childcare:	
Salaries and benefits	216,138
Services and supplies	31,619
Debt service:	
Principal	41,579
Interest	1,476
Capital outlay	477,787
Total expenditures	1,946,244
Net change in fund balance	(686,419)
Fund balance, beginning of year	1,539,632
Fund balance, end of year	$ 853,213

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, 2023

Net change in fund balance - total governmental fund	$ (686,419)
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	491,984
Depreciation expense	(79,321)
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	41,579
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	11,664
Change in net position of governmental activities	$ (220,513)

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

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.

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.

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 is reported in the financial statements as follows:

Accounts receivable	$	9,830
Allowance for uncollectible accounts		(228)
Net realizable value	$	9,602

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.

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:

Category	Useful life
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 $21,377 as of June 30, 2023.

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.

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	$ 4,519,500
Accumulated depreciation	(1,550,507)
Related debt:	
California Energy Commission	(141,441)
Net investment in capital assets	$ 2,827,552

Deferred inflows and outflows of resources

Deferred outflows of resources are transactions that result in the consumption of net assets 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 assets 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.

Note 2: Cash and Investments

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	903,734
Total cash and investments	$	903,734

Cash and investments as of June 30, 2023 consist of the following:

Bank deposits	$	257,692
Petty cash and undeposited funds		500
Investments		645,542
Total cash and investments	$	903,734

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	Maximium 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 depostis	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.

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:

		Remaining Maturity		
Investment Type	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months
State investment pool	$ 645,542	$ 645,542	$ -	$ -
Total	$ 645,542	$ 645,542	$ -	$ -

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, 2023, 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.

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, 2023.

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, 2023, 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	151,083	-	2,158,101
Equipment and vehicles	205,847	14,197	-	220,044
Depreciable improvements to land	501,802	326,704	-	828,506
Total capital assets being depreciated	2,714,667	491,984	-	3,206,651
Less accumulated depreciation	(1,471,186)	(79,321)	-	(1,550,507)
Total capital assets being depreciated, net	1,243,481	412,663	-	1,656,144
Total capital assets, net	$ 2,556,330	$ 412,663	$ -	$ 2,968,993

Note 3: Capital Assets (continued)

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

Administration	$ 16,204
Childcare	5,851
Recreation	57,266
Total depreciation expense	$ 79,321

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2023, were as follows:

Long-term debt - Direct Borrowing	Beginning balance	Additions	Deletions	Ending balance	Current portion
SBCERA loan	$ 384,794	$ -	$ (33,460)	$ 351,334	$ 33,460
Ca Energy Commission loan	149,560	-	(8,119)	141,441	8,196
Subtotal	534,354	-	(41,579)	492,775	41,656
Other long-term liabilities					
Compensated absences	33,041	48,387	(60,051)	21,377	6,413
Total long-term liabilities	$ 567,395	$ 48,387	$(101,630)	$ 514,152	$ 48,069

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Note 4: Long-Term Liabilities (continued)

The Districts long-term debt is as follows:

		Outstanding at June 30, 2023
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.	$	351,334
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 $141,441 and the following amortization schedule is based on this amount.		141,441
Total notes and loans payable	$	492,775

The annual requirements to amortize the SBCERA loan payable outstanding as of June 30, 2023, including interest payments to maturity, are as follows:

Fiscal year ending June 30,		Principal		Interest
2024	$	33,460	$	-
2025		33,460		-
2026		33,460		-
2027		33,460		-
2028		33,460		-
2029-2033		167,300		-
2034		16,734		-
Totals	$	351,334	$	-

Note 4: Long-Term Liabilities (continued)

The annual requirements to amortize the California Energy Commission loan payable outstanding as of June 30, 2023, including interest payments to maturity, are as follows:

Fiscal year ending June 30,	Principal	Interest
2024	$ 8,196	$ 1,399
2025	8,282	1,313
2026	8,364	1,230
2027	8,449	1,146
2028	8,531	1,064
2029-2033	43,966	4,008
2034-2038	46,216	1,758
2039	9,437	64
Totals	$ 141,441	$ 11,982

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 $8,071 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 $55,780 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.

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 $22,935.

Note 9: Leases Receivable

Cell towers

On 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, 2023, the value of the lease receivable is $25,683. 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 value of the deferred inflow of resources as of June 30, 2023 was $27,605, and District recognized lease revenue of $25,485, 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.

On 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, 2023, the value of the lease receivable is $113,330. 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 value of the deferred inflow of resources as of June 30, 2023 was $108,704, and District recognized lease revenue of $35,256, 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, 2023

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
REVENUES				
Special assessments, current and prior	$ 796,000	$ 796,000	$ 776,279	$ (19,721)
Rents and concessions	162,130	162,130	152,503	(9,627)
Investment earnings	4,470	4,470	7,268	2,798
Charges for services:				
Recreation	58,475	58,475	87,039	28,564
Childcare	288,000	288,000	235,907	(52,093)
Contributions and donations	75,000	75,000	-	(75,000)
Other	510	510	829	319
Total revenues	1,384,585	1,384,585	1,259,825	(124,760)
EXPENDITURES				
Administration:				
Salaries and benefits	424,765	424,765	502,217	(77,452)
Services and supplies	294,961	294,961	264,917	30,044
Recreation:				
Salaries and benefits	116,682	116,682	137,958	(21,276)
Services and supplies	303,463	303,463	272,553	30,910
Childcare:				
Salaries and benefits	182,805	182,805	216,138	(33,333)
Services and supplies	35,205	35,205	31,619	3,586
Debt service:				
Principal	33,456	33,456	41,579	(8,123)
Interest	-	-	1,476	(1,476)
Capital outlay	-	531,972	477,787	54,185
Total expenditures	1,391,337	1,923,309	1,946,244	(22,935)
Net change in fund balance	(6,752)	(538,724)	(686,419)	(147,695)
Fund balance, beginning of year	1,539,632	1,539,632	1,539,632	-
Fund balance, end of year	$ 1,532,880	$ 1,000,908	$ 853,213	$ (147,695)

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*

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, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated October 19, 2023.

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 2023-001, that we consider to be material weaknesses (this is a continuing finding).

STABILITY. ACCURACY. TRUST.

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
October 19, 2023

Finding 2023-001: 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.