



RIM OF THE WORLD
RECREATION & PARK DISTRICT

**Parks
Make
Life
Better!**



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

For the year ended June 30, 2020

Rim of the World Recreation & Park District

**Basic Financial Statements
Table of Contents**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Fund	11
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	14
Notes to the Basic Financial Statements	15
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	28
Notes to Required Supplementary Information	29



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Independent Auditor's Report

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

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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 Rim of the World Recreation & Park District as of June 30, 2020, and the respective changes in financial position thereof 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.

Other Matters

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, 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 8, 2020

Rim of the World Recreation & Park District

Management's Discussion and Analysis For the Year Ended June 30, 2020

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, 2020. 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 2.43% from \$2,471,813 to \$2,531,826 in 2020 as a result of current year operations.
- During the year, the District's assessment revenues increased by 0.20% or \$1,495 in 2020.
- Overall, revenues decreased slightly by 0.42% from \$1,180,137 to \$1,175,226 in 2020. This overall decrease was a combination of the decrease in revenues from charges for services along with the increase in assessments and other revenues.
- In the fund statements, total expenditures increased by 17.15% from \$1,123,344 to \$1,316,007 in 2020. The increase was mainly due to large outlays for solar PV for the District Office, the Twin Peaks Community Center, and the Hootman Senior Community Center and salary increase.

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.

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Rim of the World Recreation & Park District

Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 \$2,531,826, an increase of 2.43%, as of June 30, 2020.

	<u>2020</u>	<u>2019</u>	<u>% change</u>	<u>\$ change</u>
ASSETS				
Current and other	\$ 931,093	\$ 1,119,215	-16.81%	\$ (188,122)
Capital, net	<u>2,532,060</u>	<u>2,375,013</u>	6.61%	<u>157,047</u>
Total assets	<u>3,463,153</u>	<u>3,494,228</u>	-0.89%	<u>(31,075)</u>
LIABILITIES				
Current and other	129,422	174,082	-25.65%	(44,660)
Due in more than one year	<u>801,905</u>	<u>848,333</u>	-5.47%	<u>(46,428)</u>
Total liabilities	<u>931,327</u>	<u>1,022,415</u>	-8.91%	<u>(91,088)</u>
NET POSITION				
Net investment in capital assets	2,163,205	1,990,115	8.70%	173,090
Unrestricted	<u>368,621</u>	<u>481,698</u>	-23.47%	<u>(113,077)</u>
Total net position	<u>\$ 2,531,826</u>	<u>\$ 2,471,813</u>	2.43%	<u>\$ 60,013</u>

\$2,163,205 of the District's net position as of June 30, 2020, 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. At the end of fiscal year 2020, the District showed a balance in its unrestricted net position of \$368,621.

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Rim of the World Recreation & Park District

**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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 \$60,013 for the fiscal year ended June 30, 2020, an increase of 2.43% over the prior year.

REVENUES	<u>2020</u>	<u>2019</u>	<u>% change</u>	<u>\$ change</u>
Program revenues				
Charges for services	\$ 1,096,541	\$ 1,156,541	-5.19%	\$ (60,000)
Operating grants and contributions	1,750	5,935	-70.51%	(4,185)
General revenues				
Investment earnings	12,995	14,897	-12.77%	(1,902)
Other	<u>63,940</u>	<u>2,764</u>	2213.31%	61,176
 Total revenues	 <u>1,175,226</u>	 <u>1,180,137</u>	 -0.42%	 (4,911)
 EXPENSES				
Administration	555,419	565,460	-1.78%	(10,041)
Recreation	398,413	415,938	-4.21%	(17,525)
Childcare	140,729	122,131	15.23%	18,598
Interest expense	<u>20,652</u>	<u>21,474</u>	-3.83%	(822)
 Total expenses	 <u>1,115,213</u>	 <u>1,125,003</u>	 -0.87%	 (9,790)
 Increase in net position	 60,013	 55,134	 8.85%	 4,879
 Net position, beginning of year	 <u>2,471,813</u>	 <u>2,416,679</u>		
 Net position, end of year	 <u><u>\$ 2,531,826</u></u>	 <u><u>\$ 2,471,813</u></u>		

- The decrease in charges for service is primarily due to the close down of some activities centers due to COVID-19.
- The increase in other revenue is due to clearing of the old balance in tax assessed errors account.
- The increase of childcare expenses is primarily due to salary increases.

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, 2020, the District's Governmental Fund reported a fund balance of \$865,751 of which \$558,669 is unassigned and available for future District expenditures. \$307,082 of fund balance has been assigned for various reserve accounts.

Rim of the World Recreation & Park District

Management's Discussion and Analysis
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>% change</u>	<u>\$ change</u>
REVENUES				
Special assessments, current and prior	\$ 767,962	\$ 766,467	0.20%	\$ 1,495
Rents and concessions	121,752	128,841	-5.50%	(7,089)
Investment earnings	12,995	14,897	-12.77%	(1,902)
Charges for services:				
Recreation	102,487	144,663	-29.15%	(42,176)
Childcare	104,340	116,570	-10.49%	(12,230)
Contributions and donations	1,750	5,935	-70.51%	(4,185)
Other	<u>63,940</u>	<u>2,764</u>	2213.31%	61,176
Total revenues	<u>1,175,226</u>	<u>1,180,137</u>	-0.42%	(4,911)
EXPENDITURES				
Administration:				
Salaries and benefits	390,234	392,248	-0.51%	(2,014)
Services and supplies	151,793	157,956	-3.90%	(6,163)
Recreation:				
Salaries and benefits	74,652	61,414	21.56%	13,238
Services and supplies	257,993	323,404	-20.23%	(65,411)
Childcare:				
Salaries and benefits	119,441	101,766	17.37%	17,675
Services and supplies	14,739	13,401	9.98%	1,338
Debt service:				
Principal	49,503	51,681	-4.21%	(2,178)
Interest	20,652	21,474	-3.83%	(822)
Capital outlay	<u>237,000</u>	<u>-</u>	100.00%	237,000
Total expenditures	<u>1,316,007</u>	<u>1,123,344</u>	17.15%	192,663
Excess of revenues over/(under) expenditures	(140,781)	56,793		
Fund balance, beginning of year	<u>1,006,532</u>	<u>949,739</u>		
Fund balance, end of year	<u>\$ 865,751</u>	<u>\$ 1,006,532</u>		

Overall fund financial statement revenues decreased by 0.42%. The decrease was mainly due to the decrease in charges for services. Expenditures increased by 17.15% primarily due to large outlays for solar PV for the District Office, the Twin Peaks Community Center, and the Hootman Senior Community Center and salary increases.

Budgetary Highlights

Overall, actual revenues were less than budgeted revenues by \$8,299. The largest differences were charges for services and other revenues (combined short of \$3,760). Expenditures were less than the budgeted amounts by \$142,634. The largest differences were salaries and benefits and services and supplies under administration.

Rim of the World Recreation & Park District

Management's Discussion and Analysis For the Year Ended June 30, 2020

Capital Asset Administration

Changes in capital assets for fiscal year 2020 were as follows:

	<u>2020</u>	<u>2019</u>	<u>% change</u>	<u>\$ change</u>
Capital assets not being depreciated	\$ 1,549,849	\$ 1,312,849	18.05%	\$ 237,000
Capital asset being depreciated	2,323,271	2,323,271	0.00%	-
Less accumulated depreciation	<u>(1,341,060)</u>	<u>(1,261,107)</u>	6.34%	(79,953)
Total capital assets, net	<u>\$ 2,532,060</u>	<u>\$ 2,375,013</u>	6.61%	157,047

At the end of fiscal year 2020, the District's investment in capital assets amounted to \$2,532,060 (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 2020 were as follows:

	<u>2020</u>	<u>2019</u>	<u>% change</u>	<u>\$ change</u>
Note payable - California Bank & Trust	\$ 368,855	\$ 384,898	-4.17%	\$ (16,043)
SBCERA loan	451,714	485,174	-6.90%	(33,460)
Compensated absences	<u>45,416</u>	<u>39,660</u>	14.51%	5,756
Total long-term liabilities	<u>\$ 865,985</u>	<u>\$ 909,732</u>	-4.81%	(43,747)

At the end of fiscal year 2020, the District had secured debt of \$368,855, of which \$351,860 is designated as long-term. Similarly, the District had \$45,416 in compensated absences, of which \$31,791 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, \$418,254 is considered long-term. For additional information regarding long-term liabilities, please see Note 4 to the basic financial statements.

Conditions Affecting Current Financial Position

Management is carefully monitoring the COVID-19 pandemic situation and evaluating its options during this time. It is possible that this matter may negatively impact the District, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

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, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 898,707
Accounts receivable, net	3,216
Intergovernmental receivables	26,845
Interest receivable	2,325
Capital assets not being depreciated	1,549,849
Capital assets being depreciated, net	<u>982,211</u>
Total assets	<u>3,463,153</u>
LIABILITIES	
Accounts payable	37,946
Accrued wages and benefits	15,546
Other current liabilities	11,850
Noncurrent liabilities:	
Due within one year	64,080
Due in more than one year	<u>801,905</u>
Total liabilities	<u>931,327</u>
NET POSITION	
Net investment in capital assets	2,163,205
Unrestricted	<u>368,621</u>
Total net position	<u>\$ 2,531,826</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, 2020**

	<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	\$ 555,419	\$ 889,714	\$ -	\$ -	\$ 334,295
Recreation	398,413	102,487	1,750	-	(294,176)
Childcare	140,729	104,340	-	-	(36,389)
Interest expense	20,652	-	-	-	(20,652)
Total governmental activities	<u>\$ 1,115,213</u>	<u>\$ 1,096,541</u>	<u>\$ 1,750</u>	<u>\$ -</u>	<u>(16,922)</u>
General revenues:					
Investment earnings					12,995
Other					<u>63,940</u>
Total general revenues					<u>76,935</u>
Change in net position					60,013
Net position, beginning of year					<u>2,471,813</u>
Net position, end of year					<u>\$ 2,531,826</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, 2020

ASSETS

Cash and investment	\$ 898,707
Accounts receivable, net	3,216
Intergovernmental receivables	26,845
Interest receivable	<u>2,325</u>
Total assets	<u>\$ 931,093</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 37,946
Accrued wages and benefits	15,546
Other current liabilities	<u>11,850</u>
Total liabilities	<u>65,342</u>

Fund balance:

Assigned:

Operating reserve	50,729
Maintenance truck reserve	15,000
Capital replacement reserve	38,739
Capital acquisition reserve	202,614
Unassigned	<u>558,669</u>
Total fund balance	<u>865,751</u>
Total liabilities and fund balance	<u>\$ 931,093</u>

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, 2020**

Fund balance of governmental fund	\$ 865,751
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.	2,532,060
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds.	
Note payable - California Bank & Trust	(368,855)
Loan payable - SBCERA	(451,714)
Compensated absences payable	<u>(45,416)</u>
Net position of governmental activities	<u><u>\$ 2,531,826</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, 2020

REVENUES

Special assessments, current and prior	\$	767,962
Rents and concessions		121,752
Investment earnings		12,995
Charges for services:		
Recreation		102,487
Childcare		104,340
Contributions and donations		1,750
Other		63,940
		<hr/>
Total revenues		1,175,226

EXPENDITURES

Administration:		
Salaries and benefits		390,234
Services and supplies		151,793
Recreation:		
Salaries and benefits		74,652
Services and supplies		257,993
Childcare:		
Salaries and benefits		119,441
Services and supplies		14,739
Debt service:		
Principal		49,503
Interest		20,652
Capital outlay		237,000
		<hr/>
Total expenditures		1,316,007
		<hr/>
Net change in fund balance		(140,781)
Fund balance, beginning of year		1,006,532
		<hr/>
Fund balance, end of year	\$	865,751

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, 2020

Net change in fund balance - total governmental fund \$ (140,781)

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	237,000
Depreciation expense	(79,953)

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	49,503
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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>(5,756)</u>
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Change in net position of governmental activities \$ 60,013

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, 2020

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.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements For the year ended June 30, 2020

Note 1: Summary of Significant Accounting Policies (continued)

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.

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.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements
For the year ended June 30, 2020

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 receivable 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	\$	3,216
Allowance for uncollectible accounts		<u>-</u>
Net realizable value	\$	<u><u>3,216</u></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.

Notes to the Basic Financial Statements
For the year ended June 30, 2020

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 \$45,416 at June 30, 2020.

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.

**Notes to the Basic Financial Statements
For the year ended June 30, 2020**

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 body to assign fund balance to a specific purpose as approved by the District's Fund Balance Policy.

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, 2020**

Note 2: Cash and Investments

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 898,707
	<hr/>
Total cash and investments	\$ 898,707
	<hr/> <hr/>

Cash and investments as of June 30, 2020 consist of the following:

Bank deposits	\$ 261,086
Petty cash and undeposited funds	500
Investments	637,121
	<hr/>
Total cash and investments	\$ 898,707
	<hr/> <hr/>

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, 2020**

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	\$ 637,121	\$ 637,121	\$ -	\$ -
Total	\$ 637,121	\$ 637,121	\$ -	\$ -

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.

At June 30, 2020, the District had aggregate bank balances of \$335,966 with California Bank & Trust of which \$250,000 is subject to FDIC insurance and \$85,966 is collateralized by the bank.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements
For the year ended June 30, 2020

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, 2020.

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 LAIF 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.

Fair value measurement

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

Note 3: Capital Assets

Changes in capital assets for the fiscal year ended June 30, 2020, 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
Construction in progress	-	237,000	-	237,000
	<u>1,312,849</u>	<u>237,000</u>	<u>-</u>	<u>1,549,849</u>
Total capital assets not being depreciated	1,312,849	237,000	-	1,549,849
Capital assets being depreciated:				
Structures and improvements	1,975,704	-	-	1,975,704
Equipment	150,415	-	-	150,415
Depreciable improvements to land	197,152	-	-	197,152
	<u>2,323,271</u>	<u>-</u>	<u>-</u>	<u>2,323,271</u>
Total capital assets being depreciated	2,323,271	-	-	2,323,271
Less accumulated depreciation	(1,261,107)	(79,953)	-	(1,341,060)
Total capital assets being depreciated, net	1,062,164	(79,953)	-	982,211
Total capital assets, net	<u>\$ 2,375,013</u>	<u>\$ 157,047</u>	<u>\$ -</u>	<u>\$ 2,532,060</u>

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2020**

Note 3: Capital Assets (continued)

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

Administration	\$ 9,548
Recreation	65,033
Childcare	<u>5,372</u>
Total depreciation expense	<u>\$ 79,953</u>

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2020, 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	\$ 384,898	\$ -	\$ (16,043)	\$ 368,855	\$ 16,995
SBCERA loan	<u>485,174</u>	<u>-</u>	<u>(33,460)</u>	<u>451,714</u>	<u>33,460</u>
Subtotal	<u>870,072</u>	<u>-</u>	<u>(49,503)</u>	<u>820,569</u>	<u>50,455</u>
<u>Other long-term liabilities</u>					
Compensated absences	<u>39,660</u>	<u>5,756</u>	<u>-</u>	<u>45,416</u>	<u>13,625</u>
Total long-term liabilities	<u>\$ 909,732</u>	<u>\$ 5,756</u>	<u>\$ (49,503)</u>	<u>\$ 865,985</u>	<u>\$ 64,080</u>

Outstanding at
June 30, 2020

Note payable - California Bank & Trust - Direct Borrowing

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 variable interest rate based on the lender's LIBOR/Swap rate which as of the date of the note was 5.379%. At no time shall the rate be below 5.200%. 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.

\$ 368,855

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.

451,714

Total notes and loans payable

\$ 820,569

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2020**

Note 4: Long-Term Liabilities (continued)

The annual requirements to amortize the California Bank & Trust note payable outstanding as of June 30, 2020, including interest payments to maturity, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 16,995	\$ 19,700
2022	17,946	18,750
2023	18,949	17,746
2024	<u>314,965</u>	<u>16,732</u>
Totals	<u>\$ 368,855</u>	<u>\$ 72,928</u>

The annual requirements to amortize the SBCERA loan payable outstanding as of June 30, 2020, including interest payments to maturity, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 33,460	\$ -
2022	33,460	-
2023	33,460	-
2024	33,460	-
2025-2029	167,300	-
2030-2034	<u>150,574</u>	<u>-</u>
Totals	<u>\$ 451,714</u>	<u>\$ -</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 \$5,104 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 \$37,375 to the plan in the current fiscal year.

Rim of the World Recreation & Park District

Notes to the Basic Financial Statements For the year ended June 30, 2020

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; 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.

- *Comprehensive general liability (including automobile liability coverage)* – Coverage with a \$750,000 limit per occurrence for personal injury and property damage to which the coverage applies. CAPRI also purchases an excess policy with limits of \$25 million excess of \$1,000,000 (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 \$25,000,000 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 \$1,000,000,000 shared by the membership, subject to a deductible up to \$2,000 per member. Boiler and machinery has an excess limit of \$100,000,000. Earthquake coverage has an annual aggregate limit shared by all members of \$5,000,000 per occurrence and flood with an annual limit of \$10,000,000. 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. The deductible for all loss or damage arising from the risk of flood is \$20,000.

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.

Rim of the World Recreation & Park District

**Notes to the Basic Financial Statements
For the year ended June 30, 2020**

Note 8: Lease Agreements

District office and cell towers

The District is currently the lessor of unused office space in its Rimforest office building and various cell phone tower sites. The anticipated future revenues for the various leases are as follows:

Fiscal year ending June 30,	Amount
2021	\$ 92,571
2022	94,512
2023	96,474
2024	98,459
2025	96,168
Total	<u>\$ 478,184</u>

The cell tower leases operate under five-year renewable contracts. As of June 30, 2020, each lease has been renewed at least once. However, there is no guarantee the leases will be renewed in the future.

Lake Gregory Educational Center

In September 2017, the District entered into a master joint use agreement which contained a lease agreement with the Rim of the World Unified School District. The agreement requires the District to pay the School District \$33,600 annually in monthly installments. The agreement will expire in 2022, but either party can terminate the lease for any reason, without cause, upon sixty (60) days written notice.

Lake Gregory Educational Center – sub-lease

In May 2018, the District entered into an agreement with a local non-profit organization to lease the Lake Gregory Educational Center. The agreement consists of a one-year term with the first right of refusal for up to four one-year extensions. The District will receive approximately \$16,640 on an annual basis. The amount received depends on the usage of the facility by the non-profit organization.

Note 9: COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. The District is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the District, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

Note 10: Subsequent Events

California Energy Resources Conservation and Development Commission (the "Energy Commission") approved a loan for the District in the amount of \$156,783 in July 2020 for the solar project. The interest rate will be 1% with semi-annual payment of \$4,804 starting December 22, 2022.

Required Supplementary Information

Rim of the World Recreation & Park District

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2020**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Special assessments, current and prior	\$ 780,000	\$ 780,000	\$ 767,962	\$ (12,038)
Rents and concessions	125,025	125,025	121,752	(3,273)
Investment earnings	3,501	3,501	12,995	9,494
Charges for services:				
Recreation	136,300	136,300	102,487	(33,813)
Childcare	121,000	121,000	104,340	(16,660)
Contributions and donations	472	472	1,750	1,278
Other	17,227	17,227	63,940	46,713
Total revenues	1,183,525	1,183,525	1,175,226	(8,299)
EXPENDITURES				
Administration:				
Salaries and benefits	415,727	415,727	390,234	25,493
Services and supplies	213,695	213,695	151,793	61,902
Recreation:				
Salaries and benefits	79,529	79,529	74,652	4,877
Services and supplies	237,816	237,816	257,993	(20,177)
Childcare:				
Salaries and benefits	127,244	127,244	119,441	7,803
Services and supplies	20,750	20,750	14,739	6,011
Debt service:				
Principal	49,521	49,521	49,503	18
Interest	20,659	20,659	20,652	7
Capital outlay	-	293,700	237,000	56,700
Total expenditures	1,164,941	1,458,641	1,316,007	142,634
Net change in fund balance	18,584	(275,116)	(140,781)	134,335
Fund balance, beginning of year	1,006,532	1,006,532	1,006,532	-
Fund balance, end of year	<u>\$ 1,025,116</u>	<u>\$ 731,416</u>	<u>\$ 865,751</u>	<u>\$ 134,335</u>

Rim of the World Recreation & Park District

**Notes to Required Supplementary Information
For the year ended June 30, 2020**

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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We have audited the financial statements of Rim of the World Recreation & Park District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated October 8, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 15, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding a material weakness over financial reporting and other matters noted during our audit in a separate letter to you dated October 8, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is:

Depreciation expense is the allocation of capital asset costs over the estimated useful life of a particular asset. The actual life of a single asset may vary significantly based on a variety of unknown factors, such as defects in quality of manufacturing or materials used in the asset. Assets may last longer or shorter than anticipated resulting in disproportionate allocation of expense to various accounting periods. We evaluated the useful lives of assets employed by the District to determine if the lives utilized appeared reasonable based on the asset classes in service.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

The disclosure of accumulated depreciation in Note 3 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure related to the possible effects of the COVID-19 pandemic in Note 9 to the financial statements indicates uncertainty, the financial impact and duration of such cannot be estimated at this time.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 8, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Rim of the World Recreation & Park District's auditors.

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 8, 2020



Rim of the World Recreation and Park District

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October 8, 2020

Rogers Anderson Malody & Scott, LLP
735 E. Carnegie Drive, Suite 100
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, 2020 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 October 8, 2020:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 15, 2020, 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 reviewed, approved, and taken responsibility for the financial statements and related notes.
- 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 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.

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:

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



 Karen Reams, General Manager



 Rick De Prisco, Finance Manager



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

In planning and performing our audit of the 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, 2020, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiency in the District's internal control to be a material weakness (2020-001).

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. We noted no items we would consider to be significant deficiencies in the District's internal control. However, significant deficiencies may exist that have not been identified.

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

The District's written responses have not been subjected to the audit procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 8, 2020

Schedule of Findings and Responses

Finding 2020-001: 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.



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October 8, 2020

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To the Management
Rim of the World Recreation & Park District
Rimforest, California

In planning and performing our audit of the basic financial statements of the Rim of the World Recreation & Park District (the District) as of and for the year ended June 30, 2020, 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*, 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

We noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted the following item of less significance, which is discussed below.

Timely Filing of Form 700

Observation

During the course of our audit fieldwork, we noted that two board members did not file Form 700 for FY 19/20. Forms were filed subsequently when auditors addressed the issue to management and the Board of Directors. We believe it is important for the Board of Directors to disclose the potential related parties with the District in accordance with state requirements.

Recommendation

We recommend that the Board of Directors file Form 700 annually by due date and management follow up with the Board and retain copies of the form.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 8, 2020

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