



**RIM OF THE WORLD**  
RECREATION & PARK DISTRICT

**Parks  
Make  
Life  
Better!**

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

**For the year ended June 30, 2018**



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

**Rim of the World Recreation and Park District  
Basic Financial Statements  
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**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Rim of the World Recreation and Park District (the District), California as of and for the year ended June 30, 2018, 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.



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## 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 and Park District as of June 30, 2018, 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  
September 21, 2018

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

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, 2018. 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 15.15% from \$2,266,818 to \$2,416,679 in 2018 as a result of current year operations.
- During the year, the District's assessment revenues increased slightly by 1.54% or \$11,939 in 2018.
- Overall, revenues increased by 5.76% from \$1,119,101 to \$1,183,596 in 2018. This overall increase was a combination of the increase in revenues from charges for services along with the increase in assessments and other revenues.
- In the fund statements, total expenditures decreased by 13.68% from \$1,179,022 to \$1,017,676 in 2018. The decrease was mainly due to large outlays for flood restoration work for the administration office, Hootman Center and Twin Peaks Senior Center.

**Using This Financial Report**

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

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

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

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

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**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.

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**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 \$2,416,679, an increase of 6.61%, as of June 30, 2018.

	<u>2018</u>	<u>2017</u>	<u>% change</u>	<u>\$ change</u>
<b>ASSETS</b>				
Current and other	\$ 1,054,206	\$ 880,021	19.79%	\$ 174,185
Capital, net	<u>2,419,663</u>	<u>2,494,336</u>	-2.99%	<u>(74,673)</u>
Total assets	<u>3,473,869</u>	<u>3,374,357</u>	2.95%	<u>99,512</u>
<b>LIABILITIES</b>				
Current and other	161,609	152,348	6.08%	9,261
Due in more than one year	<u>895,581</u>	<u>955,191</u>	-6.24%	<u>(59,610)</u>
Total liabilities	<u>1,057,190</u>	<u>1,107,539</u>	-4.55%	<u>(50,349)</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,016,544	2,065,282	-2.36%	(48,738)
Unrestricted	<u>400,135</u>	<u>201,536</u>	98.54%	<u>198,599</u>
Total net position	<u><u>\$ 2,416,679</u></u>	<u><u>\$ 2,266,818</u></u>	6.61%	<u><u>\$ 149,861</u></u>

\$2,016,544 of the District's net position as of June 30, 2018, 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 2018, the District showed a balance in its unrestricted net position of \$400,135.

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

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 \$149,861, a decrease of 49.75%, for the fiscal year ended June 30, 2018.

<b>REVENUES</b>	<u>2018</u>	<u>2017</u>	<u>% change</u>	<u>\$ change</u>
Program revenues				
Charges for services	\$ 1,148,903	\$ 1,110,974	3.41%	\$ 37,929
Operating grants and contributions	3,996	1,115	258.39%	2,881
Capital grants and contributions	-	132,150	-100.00%	(132,150)
General revenues				
Investment earnings	8,612	2,968	190.16%	5,644
Other	<u>22,085</u>	<u>4,044</u>	446.12%	18,041
Total revenues	<u>1,183,596</u>	<u>1,251,251</u>	-5.41%	(67,655)
<b>EXPENSES</b>				
Administration	503,742	471,424	6.86%	32,318
Recreation	398,432	338,003	17.88%	60,429
Child care	108,801	119,373	-8.86%	(10,572)
Interest expense	<u>22,760</u>	<u>24,134</u>	-5.69%	(1,374)
Total expenses	<u>1,033,735</u>	<u>952,934</u>	8.48%	80,801
Increase in net position	149,861	298,317	-49.76%	(148,456)
Net position, beginning of year	<u>2,266,818</u>	<u>1,968,501</u>		
Net position, end of year	<u>\$ 2,416,679</u>	<u>\$ 2,266,818</u>		

- The large decrease in capital grants and contributions is the gain on the insurance recovery in the prior year.
- The 17.88% increase in recreation is primarily due to expenses related to Lake Gregory.
- The reduction of childcare expenses is primarily due to a reduction in wages.

**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, 2018, the District's Governmental Fund reported a fund balance of \$949,739 of which \$590,804 is unassigned and available for future District expenditures. \$332,081 of fund balance has been assigned for various reserve accounts and \$26,854 is considered nonspendable.



**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>% change</u>	<u>\$ change</u>
<b>REVENUES</b>				
Special assessments, current and prior	\$ 787,031	\$ 775,092	1.54%	\$ 11,939
Rents and concessions	111,333	111,437	-0.09%	(104)
Investment earnings	8,612	2,968	190.16%	5,644
Charges for services:				
Recreation	140,221	135,880	3.19%	4,341
Childcare	110,318	88,565	24.56%	21,753
Contributions and donations	3,996	1,115	258.39%	2,881
Other	<u>22,085</u>	<u>4,044</u>	446.12%	18,041
Total revenues	<u>1,183,596</u>	<u>1,119,101</u>	5.76%	64,495
<b>EXPENDITURES</b>				
Administration:				
Salaries and benefits	332,957	343,727	-3.13%	(10,770)
Services and supplies	159,083	191,276	-16.83%	(32,193)
Recreation:				
Salaries and benefits	84,291	59,403	41.90%	24,888
Services and supplies	255,895	388,366	-34.11%	(132,471)
Childcare:				
Salaries and benefits	89,932	102,645	-12.39%	(12,713)
Services and supplies	13,363	11,450	16.71%	1,913
Debt service:				
Principal	59,395	58,021	2.37%	1,374
Interest	<u>22,760</u>	<u>24,134</u>	-5.69%	(1,374)
Total expenditures	<u>1,017,676</u>	<u>1,179,022</u>	-13.68%	(161,346)
Excess of revenues over expenditures	165,920	(59,921)		
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recovery	<u>-</u>	<u>215,650</u>		
Total other financing sources (uses)	<u>-</u>	<u>215,650</u>		
Net change in fund balance	165,920	155,729		
Fund balance, beginning of year	<u>783,819</u>	<u>628,090</u>		
Fund balance, end of year	<u>\$ 949,739</u>	<u>\$ 783,819</u>		

Overall fund financial statement revenues increased by 5.76%. The increase was mainly due to the increase in childcare, recreation and other revenues. Expenditures decreased by 13.68% primarily due to large outlays for flood restoration for the administration office, Hootman Center and Twin Peaks Senior Center in the prior year

**Budgetary highlights**

Overall, actual revenues exceeded budgeted revenues by \$85,808. The largest differences were charges for services, assessments and other revenues (combined excess of \$82,269). Expenditures exceeded budgeted amounts by \$5,024.

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Capital Asset Administration**

Changes in capital assets for fiscal year 2018 were as follows:

	<u>2018</u>	<u>2017</u>	<u>% change</u>	<u>\$ change</u>
Capital assets not being depreciated	\$ 1,312,849	\$ 1,312,849	0.00%	\$ -
Capital asset being depreciated	2,296,417	2,296,417	0.00%	-
Less accumulated depreciation	<u>(1,189,603)</u>	<u>(1,114,930)</u>	6.70%	(74,673)
Total capital assets, net	<u>\$ 2,419,663</u>	<u>\$ 2,494,336</u>	-2.99%	(74,673)

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$2,419,663 (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 2018 were as follows:

	<u>2018</u>	<u>2017</u>	<u>% change</u>	<u>\$ change</u>
Note payable - California Bank & Trust	\$ 403,119	\$ 429,054	-6.04%	\$ (25,935)
SBCERA loan	518,634	552,094	-6.06%	(33,460)
Compensated absences	<u>30,970</u>	<u>30,189</u>	2.59%	781
Total long-term liabilities	<u>\$ 952,723</u>	<u>\$ 1,011,337</u>	-5.80%	(58,614)

At the end of fiscal year 2018, the District had secured debt of \$403,119, of which \$388,728 is designated as long-term. Similarly, the District had \$30,970 in compensated absences, of which \$21,679 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, \$485,174 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 unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

**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 and Park District  
Statement of Net Position  
June 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 987,048
Accounts receivable, net	10,660
Intergovernmental receivables	26,756
Interest receivable	2,888
Prepaid expenses	26,854
Capital assets not being depreciated	1,312,849
Capital assets being depreciated, net	<u>1,106,814</u>
 Total assets	 <u>3,473,869</u>
<b>LIABILITIES</b>	
Accounts payable	33,525
Accrued wages and benefits	7,509
Other current liabilities	63,433
Noncurrent liabilities:	
Due within one year	57,142
Due in more than one year	<u>895,581</u>
 Total liabilities	 <u>1,057,190</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,016,544
Unrestricted	<u>400,135</u>
 Total net position	 <u>\$ 2,416,679</u>

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

**Rim of the World Recreation and Park District  
Statement of Activities  
For the year ended June 30, 2018**

	<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	\$ 503,742	\$ 898,364	\$ -	\$ -	\$ 394,622
Recreation	398,432	140,221	3,996	-	(254,215)
Childcare	108,801	110,318	-	-	1,517
Interest expense	22,760	-	-	-	(22,760)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	<u>\$ 1,033,735</u>	<u>\$ 1,148,903</u>	<u>\$ 3,996</u>	<u>\$ -</u>	<u>119,164</u>
General revenues:					
Investment earnings					8,612
Other					<u>22,085</u>
Total general revenues					<u>30,697</u>
Change in net position					149,861
Net position, beginning of year					<u>2,266,818</u>
Net position, end of year					<u>\$ 2,416,679</u>

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

**Rim of the World Recreation and Park District  
Balance Sheet  
Governmental Fund  
June 30, 2018**

**ASSETS**

Cash and investment	\$ 987,048
Accounts receivable, net	10,660
Intergovernmental receivables	26,756
Interest receivable	2,888
Prepaid expenses	<u>26,854</u>
 Total assets	 <u><u>\$ 1,054,206</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 33,525
Accrued wages and benefits	7,509
Other current liabilities	<u>63,433</u>

Total liabilities	<u>104,467</u>
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Fund balance:

Nonspendable:

Prepaid expenses	26,854
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Assigned:

Operating reserve	50,729
ATP grant reserve	25,000
Maintenacne truck reserve	15,000
Capital replacement reserve	41,352
Capital acquisition reserve	200,000

Unassigned	<u>590,804</u>
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Total fund balance	<u>949,739</u>
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Total liabilities and fund balance	<u><u>\$ 1,054,206</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**Rim of the World Recreation and Park District  
 Reconciliation of the Balance Sheet of the Governmental Fund  
 to the Statement of Net Position  
 Governmental Fund  
 June 30, 2018**

<b>Fund balance of governmental fund</b>	\$	949,739
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.</p>		2,419,663
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds.</p>		
Note payable - California Bank & Trust		(403,119)
Loan payable - SBCERA		(518,634)
Compensated absences payable		(30,970)
		(952,723)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>2,416,679</b>

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

**Rim of the World Recreation and Park District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**For the year ended June 30, 2018**

**REVENUES**

Special assessments, current and prior	\$	787,031
Rents and concessions		111,333
Investment earnings		8,612
Charges for services:		
Recreation		140,221
Childcare		110,318
Contributions and donations		3,996
Other		22,085
		22,085
Total revenues		1,183,596

**EXPENDITURES**

Administration:		
Salaries and benefits		332,957
Services and supplies		159,083
Recreation:		
Salaries and benefits		84,291
Services and supplies		255,895
Childcare:		
Salaries and benefits		89,932
Services and supplies		13,363
Debt service:		
Principal		59,395
Interest		22,760
		22,760
Total expenditures		1,017,676

Net change in fund balance		165,920
Fund balance, beginning of year		783,819
Fund balance, end of year	\$	949,739

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

**Rim of the World Recreation and 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, 2018**

**Net change in fund balance - total governmental fund** \$ 165,920

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:

Depreciation expense (74,673)

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 59,395

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 (781)

**Change in net position of governmental activities** \$ 149,861

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



**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**Note 1: Summary of Significant Accounting Policies**

The accounting policies of the Rim of the World Recreation and 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 and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**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 and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**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	\$	10,889
Allowance for uncollectible accounts		(229)
		_____
Net realizable value	\$	10,660

***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.

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**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 \$30,970 at June 30, 2018.

***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.

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**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 not formally authorized any individual or body to assign fund balance, and therefore, all assignments of fund balance are authorized by the Board.

***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.

***Excess of expenditures over appropriations***

During the current fiscal year, the District's expenditures exceeded its appropriations by \$5,024.

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**Note 2: Cash and Investments**

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 987,048
Total cash and investments	\$ 987,048

Cash and investments as of June 30, 2018 consist of the following:

Bank deposits	\$ 377,882
Petty cash and undeposited funds	500
Investments	608,666
Total cash and investments	\$ 987,048

**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	\$65 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 and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**Note 2: Cash and Investments (continued)**

***Disclosure relating to interest rate risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by 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	\$ 608,666	\$ 608,666	\$ -	\$ -
Total	<u>\$ 608,666</u>	<u>\$ 608,666</u>	<u>\$ -</u>	<u>\$ -</u>

***Disclosures relating to interest rate risk, credit risk and custodial credit risk***

At June 30, 2018, the District had aggregate bank balances of \$429,593 with California Bank & Trust of which \$250,000 is subject to FDIC insurance and \$179,593 is collateralized by the bank.

***Disclosures relating to credit risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of 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.

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**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, 2018.

***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, 2018, were as follows:

	Beginning balance	Additions	Deletions	Ending balance
<b><i>Governmental activities</i></b>				
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	1,948,850	-	-	1,948,850
Equipment	150,415	-	-	150,415
Depreciable improvements to land	197,152	-	-	197,152
Total capital assets being depreciated	2,296,417	-	-	2,296,417
Less accumulated depreciation	(1,114,930)	(74,673)	-	(1,189,603)
Total capital assets being depreciated, net	1,181,487	(74,673)	-	1,106,814
Total capital assets, net	\$ 2,494,336	\$ (74,673)	\$ -	\$ 2,419,663



**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**Note 3: Capital Assets (continued)**

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

Administration	\$ 11,189
Recreation	58,112
Childcare	<u>5,372</u>
Total depreciation expense	<u><u>\$ 74,673</u></u>

**Note 4: Long-Term Liabilities**

Changes in long-term debt for the fiscal year ended June 30, 2018, were as follows:

	Beginning balance	Additions	Deletions	Ending balance	Current portion
Note payable - California Bank & Trust	\$ 429,054	\$ -	\$ (25,935)	\$ 403,119	\$ 14,391
SBCERA loan	552,094	-	(33,460)	518,634	33,460
Compensated absences	<u>30,189</u>	<u>781</u>	<u>-</u>	<u>30,970</u>	<u>9,291</u>
Total long-term liabilities	<u><u>\$ 1,011,337</u></u>	<u><u>\$ 781</u></u>	<u><u>\$ (59,395)</u></u>	<u><u>\$ 952,723</u></u>	<u><u>\$ 57,142</u></u>

Outstanding at  
June 30, 2018

***Note payable - California Bank & Trust***

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.

\$ 403,119

***Loan payable - San Bernardino County Employees' Retirement Association***

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.

518,634

Total notes and loans payable

\$ 921,753

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**Note 4: Long-Term Liabilities (continued)**

The annual requirements to amortize the California Bank & Trust note payable outstanding as of June 30, 2018, including interest payments to maturity, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 14,391	\$ 22,304
2020	15,136	21,559
2021	16,042	20,653
2022	16,939	19,755
2023	17,887	19,755
2024	322,724	36,665
Totals	<u>\$ 403,119</u>	<u>\$ 140,691</u>

The annual requirements to amortize the SBCERA loan payable outstanding as of June 30, 2018, including interest payments to maturity, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 33,460	\$ -
2020	33,460	-
2021	33,460	-
2022	33,460	-
2023	33,460	-
2024-2028	167,300	-
2029-2033	167,300	-
2034-2036	16,734	-
Totals	<u>\$ 518,634</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 \$5,350 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 \$29,344 to the plan in the current fiscal year.

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**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 \$1,000,000 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 \$1,000,000 (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 and Park District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2018**

**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
2019	\$ 85,255
2020	83,453
2021	50,472
2022	51,212
2023	51,974
Total	\$ 322,366

The cell tower leases operate under five year renewable contracts. As of June 30, 2018, 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*

During the current fiscal year, 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: Subsequent event**

There were no subsequent events that would materially affect the results presented in these financial statements.

**Required Supplementary Information**

**Required Supplementary Information**  
**Rim of the World Recreation and Park District**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2018**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>REVENUES</b>				
Special assessments, current and prior	\$ 770,000	\$ 770,000	\$ 787,031	\$ 17,031
Rents and concessions	114,298	114,298	111,333	(2,965)
Investment earnings	4,500	4,500	8,612	4,112
Charges for services:				
Recreation	123,266	123,266	140,221	16,955
Childcare	84,000	84,000	110,318	26,318
Contributions and donations	1,604	1,604	3,996	2,392
Other	120	120	22,085	21,965
<b>Total revenues</b>	<b>1,097,788</b>	<b>1,097,788</b>	<b>1,183,596</b>	<b>85,808</b>
<b>EXPENDITURES</b>				
Administration:				
Salaries and benefits	342,868	342,868	332,957	9,911
Services and supplies	191,411	191,411	159,083	32,328
Recreation:				
Salaries and benefits	86,800	86,800	84,291	2,509
Services and supplies	200,730	200,730	255,895	(55,165)
Child care:				
Salaries and benefits	92,609	92,609	89,932	2,677
Services and supplies	16,079	16,079	13,363	2,716
Debt service:				
Principal	59,395	59,395	59,395	-
Interest	22,760	22,760	22,760	-
<b>Total expenditures</b>	<b>1,012,652</b>	<b>1,012,652</b>	<b>1,017,676</b>	<b>(5,024)</b>
Net change in fund balance	85,136	85,136	165,920	80,784
Fund balance, beginning of year	783,819	783,819	783,819	-
Fund balance, end of year	<u>\$ 868,955</u>	<u>\$ 868,955</u>	<u>\$ 949,739</u>	<u>\$ 80,784</u>

**Rim of the World Recreation and Park District  
Notes to Required Supplementary Information  
For the year ended June 30, 2018**

**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.