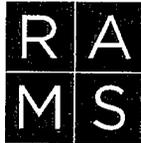


**Audit for Fiscal Year 2012-13 and  
Copy of Action Item #1 from August 26,  
2013 Board of Directors Meeting  
Amending FY 2012-13 Budget**

**Attachment 1**



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

January 14, 2014

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To the Board of Directors and Management  
Rim of the World Recreation and Park District

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Kirk A. Franks, CPA  
Matthew B. Wilson, CPA, MSA, CGMA  
Scott W. Manno, CPA, CGMA  
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Daniel T. Turner, CPA, MSA  
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Nathan Statham, CPA, MBA

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 and Park District (the District) as of and for the year ended June 30, 2013, 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. 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 deficiencies in the District's internal control to be material weaknesses (items 1-3).

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 consider the following deficiencies in the District's internal control to be significant deficiencies (item 4).

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*

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## ***MATERIAL WEAKNESSES***

(1)

### ***Accounting policies and procedures manual***

#### ***Observation***

During our review of internal controls, we noted that the District does not have a current written policies and procedures manual for accounting practices and procedures. The current manual was adopted in 1987. Updated manuals are needed in order to stay current with the District's operating and compliance environment. An updated accounting and procedures manual, adopted by the District Board, would help to ensure that the District's financial activity is recorded and reported in an accurate and timely manner, even when there is a change in staff. Such a manual could greatly minimize the time required to train any new staff members with accounting responsibilities. Issues that can be addressed in such a manual include, but are not limited to, specifying closing practices to be followed for preparation of financial reports, journal entry processes, cash receipts and disbursement procedures, descriptions of responsibilities for personnel involved in the accounting process, and the approval process.

#### ***Recommendation***

We do realize the District has adopted several updated policies, so we recommend that the District keep updating its current written manual addressing all pertinent accounting policies and procedures that have developed over the past 20 years.

#### ***Management response***

We agree that our manual should be updated and kept current to reflect any new policies and procedures that are implemented as our operations are streamlined.

(2)

### ***Segregation of duties***

#### ***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 and processes payroll and disbursements. 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 recommend the District implement other safeguards, such as heavy management/board oversight, requiring various approvals for disbursements and other transactions such as nonrecurring journal entries and reviewing payroll registers.

*Management response*

We have recently or are in the process of implementing the following: 1) review and approval by the General Manager of each bi-weekly payroll; 2) preparation of vendor checks only under the terms of an approved purchase order or blanket purchase order; and, 3) front desk signage telling our customers to always obtain a receipt for any monies given to the District. Separate personnel then reconcile receipt book detail to aggregate deposits made into the District's operating bank account.

(3)

***Financial statement close process/material misstatements***

*Observation*

We noted in the audit process that the District's financial close process is flawed which resulted in material misstatements in the financial statements. We believe there are ineffective controls to ensure timely review of all account reconciliations and significant financial statement amounts. These conditions could potentially result in a material misstatement to the District's financial statements that would not be prevented or detected on a timely basis.

*Recommendation*

To improve the financial close process, we recommend the District establish a monthly reconciliation process of all significant balance sheet and income statement accounts which include proper reviews and approvals. By doing this throughout the year, the District will be better prepared for the audit at year-end thus reducing the risk of a material misstatement due to error. In addition, timely reconciliations are a strong deterrent to misappropriation of assets or fraudulent financial reporting.

*Management response*

We agree. Moreover, in light of the amount of time which has transpired since some accounts were last reconciled, combined with our limited staff resources, the Board of Directors will need to make decisions regarding the allocation of District resources which will determine the time frame and scope of our implementation.

***SIGNIFICANT DEFICIENCIES***

(4)

***Payroll processing/administration***

*Observations*

During our audit of wages and benefits, we noted several areas of the payroll process which could use significant improvement. We noted the following issues:

1. There was no evidence of current authorized wages in personnel files,
2. Payroll is processed by one individual who has authorization to change wages, add or delete employees with the payroll company,
3. The personnel manual was last updated in 1987.

### *Recommendations*

Based on the above, we recommend the following:

1. All wage increases or decreases should be in writing and signed by the general manager and a supervisor (if applicable) and placed in the respective employees personnel file. A simple personnel action form can be developed to accomplish this. Also, the reason for the increase or decrease should be documented on this form. There should be no change to any wage unless this written, signed authorization is present.
2. Every payroll register should be reviewed by management other than the finance manager. A careful review of the payroll register and payroll check register can highlight several types of payroll fraud. While performing the review, the individual should be alert for unusual matters that might suggest fraud, such as the following:
  - a. Duplicate names or addresses
  - b. Names of former employees
  - c. Unusual/unauthorized pay rate or numbers of hours worked
  - d. Employee names not recognized (ghost employees)

If possible, it is also recommended that a payroll change report be obtained from the payroll processing company. This report should be reviewed, at a minimum of once a month, by someone in management, excluding the finance manager, for unusual changes made from one pay period to the next.

3. We recommend that an employee or personnel manual be updated and distributed to employees with periodic updates made as necessary. A comprehensive and up-to-date manual can help communicate, and encourage adherence to, District policies; prevent possible confusion, inconsistent treatment or misunderstandings among personnel. In addition, an updated policy could provide a measure of liability protection in case of employee legal challenges of District actions. After drafting, we recommend the District have legal counsel review it before distribution.

### *Management response*

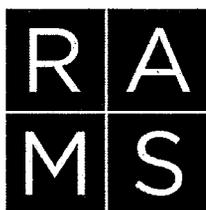
We have taken the following steps to improve the payroll processing and administration of payroll:

1. An employee written evaluation (including any wage increase) now accompanies all wage increase. Both the employee's supervisor and the General Manager must approve this increase.
2. Every payroll is reviewed and signed off by the General Manager. A detailed payroll report is also obtained from the payroll company.
3. The District has completed an updated personnel policy and it is currently under the review of Park District's Attorney's office. Once this review is completed, the Board of Directors must approve and adopted it. It is the intention of the District to have an employee meeting to review and answer questions on the new personnel manual. A copy of this new manual will be distributed to all employees.

# Rim of the World Recreation and Park District

Report on Audit and Financial Statements

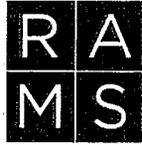
For the year ended June 30, 2013



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
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**Rim of the World Recreation and Park District  
Basic Financial Statements  
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Board of Directors  
Rim of the World Recreation and Park District

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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 (District), California as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's responsibility for the financial statements**

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

**Auditor's responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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, 2013, 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.

## 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 Malock & Scott, LLP*

San Bernardino, CA  
January 14, 2014

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rim of the World Recreation & Park District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section. (Certain amounts as of June 30, 2012, and for the year then ended, have been restated for the reasons set forth in Note 10 to the financial statements.)

**Financial Highlights**

- The District's net position increased 10.26% or \$205,833 to \$2,220,847 in 2013 as a result of this year's operations.
- During the year, the District's assessment revenues increased by 2.82% or \$21,067 in 2013.
- Program revenues decreased by 2.47% or \$7,610 to \$300,393 in 2013. This overall decrease was a combination of a positive increase of \$29,989 in revenues from recreation programs as a result of adding additional classes/programs and enrollment increases in the youth basketball and track and field programs. Offsetting this was a decrease of \$37,599 in child care stemming from a steady decline in enrollment, which coincides with the decline in enrollment of students in the local school district. Additionally, some participants dropped out because one or more of the parents became unemployed and could not afford the enrollment fees.
- Total expenses, excluding depreciation and repair expenses covered by insurance, decreased by 4.27% or \$41,589 to \$932,817 in 2013. Administration salaries increased primarily because 2013 included the salary of the General Manager for the entire year. Administration services and supplies decreased because of less spending on professional services and facility improvements. Recreation services and supplies increased primarily because of the flood at the 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 off 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.

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

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.

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

**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 \$1,959,259 as of June 30, 2013.

	<u>2013</u>	<u>2012</u>	<u>% change</u>	<u>\$ change</u>
<b>Assets:</b>				
Current and other	\$ 408,038	\$ 349,425	16.77%	\$ 58,613
Capital, net	<u>2,467,232</u>	<u>2,481,455</u>	-0.57%	(14,223)
<b>Total assets</b>	<u><u>2,875,270</u></u>	<u><u>2,830,880</u></u>		
<b>Liabilities:</b>				
Current	148,901	302,885	-50.84%	(153,984)
Due in more than one year	<u>505,522</u>	<u>513,130</u>	-1.48%	(7,608)
<b>Total liabilities</b>	<u><u>654,423</u></u>	<u><u>816,664</u></u>		
<b>Net position:</b>				
Net investment in capital assets	1,959,259	1,957,843	0.07%	1,416
Unrestricted	<u>261,588</u>	<u>57,022</u>	364.03%	205,215
<b>Total net position</b>	<u><u>\$ 2,220,847</u></u>	<u><u>\$ 2,014,865</u></u>		

A portion of the District's net position 88.22% or \$1,959,259 as of June 30, 2013, 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 2013, the District showed a positive balance in its unrestricted net position of \$261,588 that may be utilized in future years.

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 \$205,982 for the fiscal year ended June 30, 2013.

**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, 2013, the District's Governmental Fund reported a fund balance of \$281,888, all of which is unassigned and is available for future District expenses.

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

	<u>2013</u>	<u>2012</u>	<u>% change</u>	<u>\$ change</u>
<b>REVENUES</b>				
Special assessments	\$ 757,828	\$ 736,369	2.91%	\$ 21,459
Delinquent assessments and interest	9,370	9,762	-4.02%	(392)
Rents and concessions	80,932	74,695	8.35%	6,237
Intergovernmental	-	39,950	-100.00%	(39,950)
Charges for services:				
Recreation	158,881	144,800	9.72%	14,081
Childcare	141,512	179,111	-20.99%	(37,599)
Contributions and donations	-	470	-100.00%	(470)
Other	2,495	8,254	-69.77%	(5,759)
 Total revenues	 <u>1,151,018</u>	 <u>1,193,411</u>		
<b>EXPENDITURES</b>				
Administration:				
Salaries and benefits	310,312	264,961	17.12%	45,351
Services and supplies	167,010	266,803	-37.40%	(99,793)
Utilities	83,960	74,540	12.64%	9,420
Recreation:				
Salaries and benefits	48,832	51,734	-5.60%	(2,902)
Services and supplies	230,062	98,394	133.82%	131,668
Child care:				
Salaries and benefits	129,979	149,828	-13.25%	(19,849)
Services and supplies	16,564	31,426	-47.29%	(14,862)
Utilities	2,064	1,826	13.03%	238
Debt service:				
Principal	115,639	214,679	-46.13%	(99,040)
Interest	33,100	34,894	-5.14%	(1,794)
 Total expenditures	 <u>1,137,522</u>	 <u>1,189,085</u>		
Excess (deficit) of revenues over expenditures	13,496	4,326		
Insurance recovery	89,066	-		
 Net change in fund balance	 102,562	 4,326		
Fund balance, beginning of year, restated	179,326	175,000		
Fund balance, end of year	<u>\$ 281,888</u>	<u>\$ 179,326</u>		

**Rim of the World Recreation and Park District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

**Capital Asset Administration**

Changes in capital assets for fiscal year 2013 were as follows:

	<u>2013</u>	<u>2012</u>	<u>% change</u>	<u>\$ change</u>
Capital assets not being depreciated	\$ 1,312,849	\$ 1,312,849	0.00%	\$ -
Capital assets being depreciated	2,060,882	2,028,212	1.61%	32,670
Less accumulated depreciation	<u>(906,499)</u>	<u>(859,606)</u>	5.46%	(46,893)
	<u>1,154,383</u>	<u>1,168,606</u>		
Total capital assets, net	<u>\$ 2,467,232</u>	<u>\$ 2,481,455</u>		

At the end of fiscal year 2013, the District's investment in capital assets amounted to \$2,467,232 (net of accumulated depreciation). This investment in capital assets is primarily comprised of basic infrastructure assets and equipment. The District's investment in capital assets is more fully analyzed in Note 3 to the basic financial statements.

**Long-term Liabilities Administration**

Long-term liabilities for fiscal year 2013 were as follows:

	<u>2013</u>	<u>2012</u>	<u>% change</u>	<u>\$ change</u>
Note Payable - Union Bank	\$ 507,973	\$ 523,612	-2.99%	\$ (15,639)
County loan	-	100,000	-100.00%	(100,000)
Compensated absences	20,300	22,304	-8.98%	(2,004)
Less current portion	<u>(22,751)</u>	<u>(22,247)</u>	2.26%	(504)
Total long-term liabilities	<u>\$ 505,522</u>	<u>\$ 623,669</u>		

At the end of fiscal year 2013, the District had secured debt of \$507,973, of which \$491,312 is designated as long-term. Similarly, the District had \$20,300 in compensated absences, of which \$14,210 is designated as long-term. The District's investment in capital assets and related debt are more fully analyzed in Notes 3 and 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, 2013**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 370,363
Accounts receivable, net	6,882
Intergovernmental receivables	30,793
Capital assets not being depreciated	1,312,849
Capital assets being depreciated, net	1,154,383
Total assets	2,875,270
<b>LIABILITIES</b>	
Accounts payable	45,696
Accrued wages and benefits	17,024
Other current liabilities	63,430
Noncurrent liabilities:	
Due within one year	22,751
Due in more than one year	505,522
Total liabilities	654,423
<b>NET POSITION</b>	
Net investment in capital assets	1,959,259
Unrestricted	261,588
Total net position	\$ 2,220,847

*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, 2013**

	<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	\$ 570,440	\$ 850,474	\$ -	\$ -	\$ 280,034
Recreation	266,618	158,881	-	78,731	(29,006)
Childcare	153,607	141,512	-	-	(12,095)
Interest expense	33,100	-	-	-	(33,100)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	<u>\$ 1,023,765</u>	<u>\$ 1,150,867</u>	<u>\$ -</u>	<u>\$ 78,731</u>	<u>205,833</u>
General revenues:					
Other					<u>149</u>
Total general revenues					<u>149</u>
Change in net position					205,982
Net position, beginning of year, restated					<u>2,014,865</u>
Net position, end of year					<u>\$ 2,220,847</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, 2013**

**ASSETS**

Cash	\$ 370,363
Accounts receivable, net	6,882
Intergovernmental receivable	<u>30,793</u>
Total assets	<u><u>\$ 408,038</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 45,696
Accrued wages and benefits	17,024
Other current liabilities	<u>63,430</u>
Total liabilities	<u>126,150</u>

Fund balance:

Unassigned	<u>281,888</u>
Total fund balance	<u>281,888</u>
Total liabilities and fund balance	<u><u>\$ 408,038</u></u>

*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, 2013**

<b>Fund balance of governmental fund</b>	\$ 281,888
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,467,232
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds.	
--	--

Notes payable - Union Bank	(507,973)
Compensated absences payable	<u>(20,300)</u>

<b>Net position of governmental activities</b>	<u><u>\$ 2,220,847</u></u>
--	----------------------------

*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, 2013**

**REVENUES**

Special assessments	\$ 757,828
Delinquent assessments and interest	9,370
Rents and concessions	80,932
Charges for services:	
Recreation	158,881
Childcare	141,512
Other	2,495
	1,151,018
Total revenues	1,151,018

**EXPENDITURES**

Administration:	
Salaries and benefits	310,312
Services and supplies	167,010
Utilities	83,960
Recreation:	
Salaries and benefits	48,832
Services and supplies	230,062
Childcare:	
Salaries and benefits	129,979
Services and supplies	16,564
Utilities	2,064
Debt service:	
Principal	115,639
Interest	33,100
	1,137,522
Total expenditures	1,137,522

Excess of revenues over (under) expenditures	13,496
--	--------

**OTHER FINANCING SOURCES (USES)**

Insurance recovery	89,066
Total other financing sources (uses)	89,066

Net change in fund balance	102,562
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Fund balance, beginning of year, restated	179,326
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Fund balance, end of year	\$ 281,888
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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 Statement of Revenues, Expenditures,  
 and Changes in Fund Balance of the Governmental Fund to the  
 Statement of Activities  
 For the year ended June 30, 2013**

**Net change in fund balance - total governmental fund** \$ 102,562

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	52,957
Depreciation expense	(67,180)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payment on loans	115,639
----------------------------	---------

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.

2,004

**Change in net position of governmental activities** \$ 205,982

*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**  
**June 30, 2013**

**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**  
**June 30, 2013**

**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 *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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

***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  
June 30, 2013**

**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.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

***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	\$	19,332
Allowance for uncollectible accounts		(12,450)
		6,882
Net realizable value	\$	6,882

***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  
June 30, 2013**

**Note 1: Summary of Significant Accounting Policies (continued)**

***Fair value investments***

GASB Statement No. 31 establishes 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. 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 fair market 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 vacation and sick leave 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 \$20,300 at June 30, 2013.

***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.

***Property taxes/assessments***

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

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

**Rim of the World Recreation and Park District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**Note 1: Summary of Significant Accounting Policies (continued)**

***Fund equity***

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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.

***Implementation of new pronouncements***

Beginning with the current fiscal year, the District implemented GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position.

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 outflows of resources are required to be presented separately after liabilities on the statement of net position.

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
June 30, 2013**

**Note 2: Cash and Investments**

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

Statement of net position:

Cash		\$	370,363
			<u>                    </u>
Total cash and investments		\$	370,363
			<u>                    </u>

Cash and investments as of June 30, 2013 consist of the following:

Cash in County pool		\$	217,921
Bank deposits			152,377
Petty cash and undeposited funds			<u>          65</u>
Total cash and investments		\$	<u>          370,363</u>

***Equity in the cash and investment pool of the County of San Bernardino***

Cash and investments includes the cash balance of monies deposited with the County of San Bernardino Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2013. The District's balance at the County's cash and investment pool was \$267,378 at year end. Fair value is based on data provided by the County. The County pool is not rated.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

**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*. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

**Rim of the World Recreation and Park District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

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

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%	10%
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	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass through securities	5 years	20%	None

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

**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 investment by maturity:

Investment type	Total	Remaining maturity 12 months or less
County pool	<u>\$ 217,921</u>	<u>\$ 217,921</u>

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

At June 30, 2013, the District had aggregate deposits of \$21,917 with Bank of America and \$147,440 with Union Bank of California.

**Rim of the World Recreation and Park District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

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

***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. Currently the County pool is unrated.

***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.

***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, 2013.

**Rim of the World Recreation and Park District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**Note 3: Capital Assets**

Changes in capital assets for the fiscal year ended June 30, 2013, were as follows:

	Beginning balance	Additions	Deletions	Ending balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 574,257	\$ -	\$ -	\$ 574,257
Improvements to land	738,592	-	-	738,592
<b>Total capital assets not being depreciated</b>	<b>1,312,849</b>	<b>-</b>	<b>-</b>	<b>1,312,849</b>
Capital assets being depreciated:				
Structures and improvements	1,813,213	63,292	(30,622)	1,845,883
Equipment	150,415	-	-	150,415
Depreciable improvements to land	64,584	-	-	64,584
<b>Total capital assets being depreciated</b>	<b>2,028,212</b>	<b>63,292</b>	<b>(30,622)</b>	<b>2,060,882</b>
Less accumulated depreciation	(859,606)	(67,180)	20,287	(906,499)
<b>Total capital assets being depreciated, net</b>	<b>1,168,606</b>	<b>(3,888)</b>	<b>(10,335)</b>	<b>1,154,383</b>
<b>Total capital assets, net</b>	<b>\$ 2,481,455</b>	<b>\$ (3,888)</b>	<b>\$ (10,335)</b>	<b>\$ 2,467,232</b>

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

Administration	\$ 11,164
Recreation	51,016
Childcare	5,000
<b>Total depreciation expense</b>	<b>\$ 67,180</b>

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
June 30, 2013**

**Note 4: Long-Term Liabilities**

Changes in long-term debt for the fiscal year ended June 30, 2013, were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Current portion</u>
Note payable - Union Bank	\$ 523,612	\$ -	\$ (15,639)	\$ 507,973	\$ 16,661
County loan	100,000	-	(100,000)	-	-
Compensated absences	<u>22,304</u>	<u>10,051</u>	<u>(12,055)</u>	<u>20,300</u>	<u>6,090</u>
Total long-term liabilities	<u>\$ 645,916</u>	<u>\$ 10,051</u>	<u>\$ (127,694)</u>	<u>\$ 528,273</u>	<u>\$ 22,751</u>

Outstanding at  
June 30, 2013

***Note payable - Union Bank***

In November 2005, the District refinanced its \$600,000 note payable, which was due on March 3, 2006, for \$606,000. The note requires monthly payments of \$4,037 based on a 25 year amortization schedule at an interest rate of 6.35%. At the end of the tenth year, a balloon payment of approximately \$473,658 is due and payable.

\$ 507,973

***Loan payable - County of San Bernardino***

In July 2010, the District received a loan from the County of San Bernardino in the amount of \$500,000 to be used to eliminate amounts owed to the Registrar of Voters and the County Treasury Pool. The loan is to be repaid in five equal installments with payments due in April and December. Interest on the loan shall be charged at the same rate the County applies to funds on deposit with the County treasury. The loan was paid in the current fiscal year.

Total notes and loans payable

\$ 507,973

**Rim of the World Recreation and Park District  
Notes to the Basic Financial Statements  
June 30, 2013**

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

The annual requirements to amortize the Union Bank note payable outstanding as of June 30, 2013, including interest payments to maturity, are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 16,661	\$ 31,886
2015	17,658	30,782
2016	473,654	8,693
Totals	<u>\$ 507,973</u>	<u>\$ 71,361</u>

**Note 5: Employees' Retirement Plans**

Currently, the District participates in the following retirement plans:

During the current fiscal year, the District contributed \$14,194 to the plan.

*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.

*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.

**Note 6: Commitments and Contingencies**

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

**Rim of the World Recreation and Park District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**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.

- *General liability* – Coverage with a \$1,000,000 limit per occurrence. CAPRI also purchases an excess policy with limits of \$24 million excess of \$1,000,000. There is no deductible for general liability claims.
- *Public officials and employee liability* – Coverage with an aggregate limit of \$25,000,000 per member district because of wrongful acts. For each covered claim, there is a \$20,000 deductible.
- *All risk property loss* – Coverage with an annual aggregate limit of \$1,000,000,000, subject to a \$2,000 deductible. Earthquake coverage has an annual aggregate limit of \$5,000,000 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. Statutory limits per occurrence for workers compensation and \$5,000,000 for employers liability coverage.

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

**Note 8: County Advance Commitment**

Special assessments are collected and paid to the District by the County of San Bernardino in accordance with its property tax calendar (as described in Note 1 of these financial statements). The majority of the assessments are paid to the District in December and April. Assessments received by the District are used to pay current costs of ongoing operations incurred by the District. Since a majority of the assessments are received during two months of the year, the District seeks approval each year to receive an advance from the County against these anticipated revenues in order to cover operating costs during the remaining months.

**Rim of the World Recreation and Park District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**Note 9: Rental Agreements**

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

Fiscal year ending June 30,	Amount
2014	\$ 79,662
2015	82,882
2016	47,720
2017	48,378
2018	49,055
Total	<u>\$ 307,697</u>

The cell tower leases operate under five year renewable contracts. As of June 30, 2013, each lease has been renewed at least once. However, there is no guarantee the leases will be renewed in the future.

**Note 10: Equity Restatement**

Beginning equity on the government-wide financial statements has been restated by \$649 due to an overstatement of accounts payable (\$15,705) and an understatement of compensated absences (\$15,056) in prior years. The fund financial statements were restated by the \$15,705 only.

**Note 11: Subsequent Event**

During the year under audit, the District filed a notice of intent to withdraw from the San Bernardino County Employees' Retirement Association (SBCERA) defined benefit plan. If the District withdraws from SBCERA, it will remain liable to SBCERA for their share of any unfunded actuarial liability, which is attributable to District employees who either have retired or will retire from SBCERA. SBCERA estimates the District's unfunded liability to be \$669,204.

**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, 2013**

	Budgeted amounts		Actual amountsfinal	Variance with budget
	Original	Final		
<b>REVENUES</b>				
Special assessments	\$ 745,000	\$ 745,000	\$ 757,828	\$ 12,828
Delinquent assessments and interest	-	-	9,370	9,370
Rents and concessions	73,311	73,311	80,932	7,621
Charges for services:				
Recreation	163,962	163,962	158,881	(5,081)
Childcare	146,038	146,038	141,512	(4,526)
Contributions and donations	15,000	15,000	-	(15,000)
Other	3,500	3,500	2,495	(1,005)
<b>Total revenues</b>	<b>1,146,811</b>	<b>1,146,811</b>	<b>1,151,018</b>	<b>4,207</b>
<b>EXPENDITURES</b>				
Administration:				
Salaries and benefits	288,099	288,099	310,312	(22,213)
Services and supplies	228,646	228,646	167,010	61,636
Utilities	77,105	77,105	83,960	(6,855)
Recreation:				
Salaries and benefits	50,589	50,589	48,832	1,757
Services and supplies	110,607	110,607	230,062	(119,455)
Child care:				
Salaries and benefits	161,312	161,312	129,979	31,333
Services and supplies	22,677	22,677	16,564	6,113
Utilities	1,895	1,895	2,064	(169)
Debt service:				
Principal	114,344	114,344	115,639	(1,295)
Interest	35,096	35,096	33,100	1,996
<b>Total expenditures</b>	<b>1,090,370</b>	<b>1,090,370</b>	<b>1,137,522</b>	<b>(47,152)</b>
Excess of revenues over (under) expenditures	56,441	56,441	13,496	(42,945)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recovery	-	-	89,066	89,066
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>89,066</b>	<b>89,066</b>
Net change in fund balance	56,441	56,441	102,562	46,121
Fund balance, beginning of year, restated	179,326	179,326	179,326	-
Fund balance, end of year	<b>\$ 235,767</b>	<b>\$ 235,767</b>	<b>\$ 281,888</b>	<b>\$ 46,121</b>

**Rim of the World Recreation and Park District  
Notes to Required Supplementary Information  
June 30, 2013**

**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.

During the fiscal year, the District expenditures were in excess of appropriations by \$47,152 which was primarily due to restoration work on the Senior Center after a flood. The District received \$89,066 in insurance proceeds.

ROWPRD BOARD AGENDA

REGULAR MEETING  
August 26, 2013

**ACTION ITEM #1**

Adopt Resolution 06132013-4A Amended Budget/ Appropriation Limit  
FY2012/2013

**TO:** Board of Directors  
**PRESENTED BY:** Karen Reams, General Manager

**SUBJECT:** Adopt Resolution 06132013-4A Amended Budget and Appropriation Limit FY 2012-2013

**GOAL:** To obtain board approval Amended Budget FY 2012-2013 increasing appropriations limit by 189,066.00 from \$990,370.00 to \$1,179,436.00

**BACKGROUND:** In December 2012 the District made its final principal payment to San Bernardino County in the amount of \$100,000 and in January 2013, the Twin Peaks Senior and Community Center had a water pipe break because of freezing temperatures. This caused substantial damage due to flooding/water damage to the center. Because this funding was not approved in our 2012/13 Budget, the District must adopt an Amended Budget reflecting this change.

Staff has incorporated the figures into the proposed Amended Budget FY 2012/13 as follows:

\$100,000 is allocated to "Debt principal payments"

\$89,066.00 is allocated to "Structure Maintenance and Repair"

\$89,066.00 is allocated to "Other Income"

**BUDGET IMPLICATIONS:** Increase to appropriations of \$189,066.00

**RECOMMENDATION:** That the Board adopt Resolution 06132013-4A Amending the Budget FY 2012/2013 increasing appropriations limit to \$1,179,436.00

**ACTION:** On motion of Board Members Rick Craig and Hugh Bialecki, the Board adopted Resolution 06132013-4  as presented  with modifications



REVISED RESOLUTION No. 06132013-4A

A RESOLUTION OF THE GOVERNING BOARD OF  
THE RIM OF THE WORLD RECREATION AND PARK DISTRICT,  
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, ADOPTING THE  
AMENDED 2012/2013 FINAL BUDGET & INCREASING THE APPROPRIATIONS  
LIMIT FOR SUBMITTAL TO THE COUNTY AUDITOR/CONTROLLER'S OFFICE.

WHEREAS, the Board of Directors of the Rim of the World Recreation & Park District meeting on August 26, 2013, hereby determines that it is in the best interest of the District to adopt the Amended 2012/2013 Final Budget, and Increase Appropriation Limit; and

WHEREAS, the Amended Final Budget categories are as follows in the amounts reflected; and

Expenditures

Compensation and Benefits	\$ 500,000.00
Service and Supplies	\$ 579,436.00
Debt service	\$ 100,000.00
Total	\$1,179,436.00

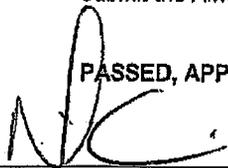
Revenue

Special Parcel Tax (\$22.00 per parcel)	\$ 745,000.00
Fees & Charges (Programs / Facilities)	\$ 310,000.00
Donations	\$ 15,000.00
Rental Income	\$ 73,311.00
Other Income	\$ 92,566.00
Total	\$1,235,877.00

WHEREAS, the Board of Directors has determined to increase the Appropriations Limit by \$189,066.00 from \$990,370.00 to 1,179,436.00. and

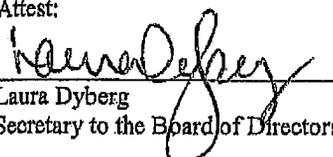
NOW, THEREFORE, the Board of Directors of the Rim of the World Recreation & Park District does hereby submit the Amended 2012/2013 Final Budget to the San Bernardino County, Auditor/Controller's Office.

PASSED, APPROVED AND ADOPTED this 26th day of August 2013

  
Rick Claig

~~Chairman of the Board of Directors~~

Attest:

  
Laura Dyberg

Secretary to the Board of Directors

**RIM OF THE WORLD RECREATION AND PARK DISTRICT  
PROPOSED 2013/2014 FINAL**

		<b>BUDGET</b>					
		<b>ACTUAL YEAR-END FY 2009/2010</b>	<b>ACTUAL YEAR-END FY 2010/11</b>	<b>ACTUAL YEAR-END FY 2011/2012</b>	<b>AMENDED (as of 8/26/13) BUDGET FY 2012/2013</b>	<b>ESTIMATED ACTUAL FY 2012/2013</b>	<b>STAFF FINAL BUDGET FY 2013/2014</b>
<b>COLUMN 1</b>		<b>COLUMN 2</b>	<b>COLUMN 3</b>	<b>COLUMN 4</b>	<b>COLUMN 5</b>	<b>COLUMN 6</b>	<b>COLUMN 7</b>
<b>Fund balance, beginning of year</b>		(286,080)	-322,461	176,000	163,621	163,621	166,127
<b>Income</b>	<b>500-100</b>						
	Assessment Income	372,610	736,766	746,048	745,000	766,000	760,000
	Donations	32,167	16,871	40,420	16,000	2,000	1,000
	Fees and Charges	298,059	285,130	314,484	310,000	290,000	315,000
	Other Income	1,179	3,887	6,088	92,588	92,588	3,500
	Rental Income	67,110	85,546	71,896	78,311	73,476	73,476
	<b>Gross Revenue-as originally reported</b>	<b>761,114</b>	<b>1,110,219</b>	<b>1,180,936</b>	<b>1,235,877</b>	<b>1,213,042</b>	<b>1,142,976</b>
	Debt Issued-SB County		600,000				
	To reconcile with audited F/S	-948	-3,961	12,476	n/a	n/a	n/a
<b>Total</b>		<b>760,166</b>	<b>1,806,258</b>	<b>1,193,411</b>	<b>1,235,877</b>	<b>1,213,042</b>	<b>1,142,976</b>
<b>Expense</b>	<b>905-</b>						
	Advertising	266	616	806	2,000	2,000	2,000
	Auto Expense	6,087	5,836	6,186	9,000	11,000	9,000
	Bank Fees & Services	1,634	2,039	1,847	2,000	2,600	2,000
	Building Loan Payment	48,440	48,440	48,440	48,440	48,440	48,440
	Communications	8,647	12,967	10,997	12,000	10,000	12,000
	Computer Software	0	2,880	1,109	600	600	6,000
	Equipment and Supplies	8,732	29,427	51,562	28,000	28,000	28,000
	Equipment Maintenance & Repair	2,900	826	1,664	2,000	2,000	2,000
	Food	3,289	2,437	2,832	3,000	3,000	3,000
	Insurance	26,186	23,527	27,960	28,000	29,500	29,500
	Interest Expense	0	44,690	1,136	1,000	600	600
	Legal Notices	36	662	30	600	600	600
	Memberships	2,898	3,255	3,601	4,500	4,500	5,000
	Outside Help (1089)	31,298	34,486	48,668	52,500	56,500	56,500
	Postage	1,301	687	930	1,000	1,000	1,000
	Printing	1,818	1,728	703	2,000	2,000	4,000
	Private Mileage	633	1,146	1,366	2,200	2,200	3,000
	Professional Services	91,724	208,636	116,664	96,826	88,326	107,600
	Publications/Marketing	642	2,102	2,400	5,000	5,000	10,000
	Rent/Lease Building/Land	0	10	125	500	500	200
	Rent/Lease of Equipment	6,278	8,683	12,637	13,000	13,000	13,000
	Special Expense	24,926	29,493	44,018	40,630	40,630	41,000
	Staff Uniforms	0	826	204	500	500	600
	Structure Maintenance & Repair	15,776	40,720	35,362	142,366	142,366	56,000
	Subscriptions	46	70	20	76	76	76
	Training	181	638	803	3,000	3,000	4,000
	Travel	0	0	927	1,000	1,000	1,000
	Utilities	76,962	80,668	76,146	79,000	83,000	79,000
	New Facilities / CIP	16,074	20,778	43,073	0	100	0
	<b>Total Service &amp; Supplies</b>	<b>376,470</b>	<b>805,641</b>	<b>540,817</b>	<b>579,436</b>	<b>581,636</b>	<b>522,716</b>
	Compensation & Benefits	400,241	362,623	468,432	500,000	500,000	613,800
	<b>Total Appropriations-as originally reported</b>	<b>776,711</b>	<b>968,664</b>	<b>999,249</b>	<b>1,079,436</b>	<b>1,081,636</b>	<b>1,096,516</b>
	Debt principal payments to SB County		200,000	200,000	100,000	100,000	
	To reconcile with audited F/S	19,826	-69,867	6,641	n/a	n/a	n/a
	Contingency/SBCERA						106,461
<b>Total expenditures</b>		<b>796,537</b>	<b>1,108,797</b>	<b>1,204,790</b>	<b>1,179,436</b>	<b>1,181,636</b>	<b>1,142,976</b>
<b>Net change in fund balance</b>		<b>(36,371)</b>	<b>487,461</b>	<b>(11,379)</b>	<b>68,441</b>	<b>31,606</b>	<b>-</b>
<b>Fund balance, end of year</b>		<b>(322,461)</b>	<b>176,000</b>	<b>163,621</b>	<b>220,062</b>	<b>196,127</b>	<b>196,127</b>
	Estimated Bank Balances as of 06-30-2013						263,800
	Reserves for 2014/2015 Jul-Dec Operations						300,000