



BEAUMONT-CHERRY VALLEY
RECREATION AND PARK DISTRICT
Creating Opportunities for a Healthy Community

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
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June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Beaumont-Cherry Valley Recreation and Park District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Beaumont-Cherry Valley Recreation and Park District (the "District") 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 an opinion 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective July 1, 2017, the District retrospectively adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (“GASB 75”). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information related to the pension and other postemployment benefits plans on pages 29 through 31 be presented to supplement the basic financial statements. Such information, although not 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedules of officers, directors, and senior management and insurance coverage on page 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has not been subjected to auditing procedures applied in the audit of the basic financial statements and; accordingly, we do not express an opinion or provide any assurance on it.



December 20, 2019

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
GENERAL FUND BALANCE SHEET
AND STATEMENT OF NET POSITION
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | General Fund | Adjustments | Statement of Net Position |
|--|----------------------------|----------------------------|--------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,655,521 | \$ - | \$ 1,655,521 |
| Accounts receivable: | | | |
| Program service fees | 17,530 | - | 17,530 |
| Property taxes | 50,369 | 26,416 | 76,785 |
| Other | 6,461 | - | 6,461 |
| Capital assets nondepreciable | - | 316,010 | 316,010 |
| Capital assets depreciable, net | - | 1,495,127 | 1,495,127 |
| | <u>1,729,881</u> | <u>1,837,553</u> | <u>3,567,434</u> |
| Deferred outflows of resources | | | |
| Pension related | - | 305,162 | 305,162 |
| OPEB related | - | 69,801 | 69,801 |
| | <u>-</u> | <u>374,963</u> | <u>374,963</u> |
| | <u>-</u> | <u>374,963</u> | <u>374,963</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,729,881</u> | <u>\$ 2,212,516</u> | <u>\$ 3,942,397</u> |

See notes to financial statements.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
GENERAL FUND BALANCE SHEET
AND STATEMENT OF NET POSITION
June 30, 2018

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

| | General Fund | Adjustments | Statement of Net Position |
|---|-------------------------|--------------------|--------------------------------------|
| Liabilities | | | |
| Accounts payable to vendors | \$ 137,164 | \$ - | \$ 137,164 |
| Accrued payroll | 12,900 | - | 12,900 |
| Program service fee deposits | 11,930 | - | 11,930 |
| Long-term liabilities | - | 894,688 | 894,688 |
| | <u>161,994</u> | <u>894,688</u> | <u>1,056,682</u> |
| Deferred inflows of resources | | | |
| Deferred pension related items | - | 40,313 | 40,313 |
| | <u>-</u> | <u>40,313</u> | <u>40,313</u> |
| Total liabilities and deferred inflows of resources | <u>161,994</u> | <u>935,001</u> | <u>1,096,995</u> |

FUND BALANCE/NET POSITION

| | | | |
|--|----------------------------|----------------------------|----------------------------|
| Fund balance | | | |
| Unassigned fund balance | <u>1,567,887</u> | <u>(1,567,887)</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 1,729,881</u> | | |
| Net position | | | |
| Net investment in capital assets | | 1,811,137 | 1,811,137 |
| Unrestricted net position | | <u>1,034,265</u> | <u>1,034,265</u> |
| Total net position | | <u>\$ 1,277,515</u> | <u>\$ 2,845,402</u> |

See notes to financial statements.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

| | General Fund | Adjustments | Statement of Activities |
|--------------------------------------|----------------------------|----------------------------|------------------------------------|
| Expenditures/expenses | | | |
| Salaries and benefits | \$ 925,054 | \$ 13,314 | \$ 938,368 |
| Services and supplies | 877,640 | - | 877,640 |
| Capital outlay | 389,720 | (298,250) | 91,470 |
| Total expenditures | <u>2,192,414</u> | <u>(284,936)</u> | <u>1,907,478</u> |
| Program Revenues | | | |
| Program service fees | 407,751 | - | 407,751 |
| Grant income | 6,000 | - | 6,000 |
| Total program revenues | <u>413,751</u> | <u>-</u> | <u>413,751</u> |
| Net program expense | | | <u>1,493,727</u> |
| General Revenues | | | |
| Property taxes | 1,781,717 | 372 | 1,782,089 |
| Intergovernmental revenues | 39,318 | - | 39,318 |
| Interest income | 14,956 | - | 14,956 |
| Other | 31,961 | - | 31,961 |
| Total general revenues | <u>1,867,952</u> | <u>372</u> | <u>1,868,324</u> |
| Excess of revenues over expenditures | 89,289 | (89,289) | - |
| Change in net position | - | 374,597 | 374,597 |
| Fund Balance/net position | | | |
| Beginning of the year | 1,478,598 | 957,785 | 2,436,383 |
| Prior period adjustments (Note 11) | - | 34,422 | 34,422 |
| End of the year | <u>\$ 1,567,887</u> | <u>\$ 1,277,515</u> | <u>\$ 2,845,402</u> |

See notes to financial statements.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Nature of Organization

The Beaumont-Cherry Valley Recreation and Park District (the “District”) was established in June 1972 under the authority of the Government Code, Section 58132. The District operates under a board of directors to provide, manage, and maintain recreation and park facilities and activities for the Beaumont-Cherry Valley area of Riverside County, California, as a separate governmental entity and receives a majority of their income from the County of Riverside through property taxes. The Board of Directors has the power to determine fiscal, personnel, and administrative policy subject only to state law.

Reporting Entity

The District, for financial reporting purposes, includes all of the funds relevant to the operations of the District and is not included as a component unit in any other primary government’s financial statements. In determining the agencies or entities which comprise the governmental entity for financial reporting purposes, the criteria of oversight responsibility over such entities, special financing relationships, and scope of public service provided by the entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the periods presented.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the District include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, claims and judgments, pensions, and other postemployment benefits are recorded only when payment is due. General capital asset acquisitions are reported as capital outlay expenditures in governmental funds.

Program service fees, property taxes, intergovernmental revenues, interest income, and grant income associated with the current fiscal period are considered to be susceptible to accrual and have therefore been recognized as revenues within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District is a special-purpose government engaged in a single governmental program and has only one fund. The *general fund* is the general operating fund of the District and is used to account for all financial resources. As such, the fund financial statements and the government-wide statements have been presented in a combined format.

Budgetary Policies

The District adopts an annual nonappropriated budget for planning, control, and evaluation purposes for the general fund. A legal budget is neither required nor adopted. Therefore, these financial statements do not include budget and actual comparisons.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

The District may 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 statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position.

Pension Accounting

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cash and Cash Equivalents

The District considers cash and all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

The District believes all accounts receivable are fully collectible and therefore no allowance for doubtful accounts is provided.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (the "OPEB Plan" - described in more detail in Note 7) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by the OPEB Plan's administrator, CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The County of Riverside Assessor’s Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector’s Office bills and collects the District’s share of property taxes and assessments. The County of Riverside Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the District’s cash balance as of June 30. The property tax calendar is as follows:

| | |
|------------------|--|
| Lien date: | January 1 |
| Levy date: | On July 1 for July 1 to June 30 |
| Due date: | November 1 – 1st installment February 1 – 2nd installment |
| Collection date: | December 10 – 1st installment April 10 – 2nd installment |

Capital Assets

Capital assets are reported in the governmental activities of the government-wide financial statements. Capital assets are defined by the District as assets with a cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets, whether acquired or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. Upon disposition of capital assets, the cost and related accumulated depreciation are removed from their respective balances and any gains or losses are recognized.

The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend the lives of capital assets are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Type of Asset</u> | <u>Life in Years</u> |
|------------------------------------|--------------------------|
| Buildings and infrastructure | 25 - 40 |
| Building and land improvements | 15 - 20 |
| Maintenance equipment and vehicles | 5 - 15 |
| Land | Not depreciated |

The cost of capital assets being constructed by the District are accumulated in construction in progress within the government-wide financial statements during the construction period. Upon completion of construction and being placed into service, depreciation of the resulting asset is commenced.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Impairment of Capital Assets

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of the asset. As of June 30, 2018, no impairment was recognized as management expects to fully utilize the District's capital assets.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave and accrued compensatory time. Employees are entitled to accumulate this time in accordance with the District's policies. Upon termination of employment for any reason, the District shall compensate the employee for their accumulated vacation and compensatory time at the employee's rate of pay at the time of termination. Sick time is not eligible for payout at termination per the District's policies.

A liability for compensated absences that is attributable to services already rendered and not contingent on a specific event outside the control of the government and its employees is accrued in the government-wide financial statements as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

Net Position

The government-wide statements utilize a net position presentation. Net position is categorized as net investment in capital assets and unrestricted net position. The District has no restricted net position.

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt (if any) that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Unrestricted net position – This category represents the net position of the District not restricted for any project or other purpose.

Fund Balance

In fund financial statements, the government fund balance may be categorized as nonspendable, restricted, committed, assigned, and unassigned. As of June 30, 2018, the District's governmental fund balance was comprised entirely of the unassigned amounts.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District may 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 District'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.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the Board of Directors by ordinance or resolution to formally commit part of the fund balance or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal Board of Director's action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the Board's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. The District's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the General Manager.

Unassigned Fund Balance - These are either residual positive net resources in excess of what can properly be classified in one of the other four categories, or negative balances.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

The Governmental Accounting Standards Board (“GASB”) has issued the below statements which may affect the District’s financial reporting requirements in the future. The District is currently evaluating its accounting practices to determine the potential impact that these statements will have on the District’s the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which addresses new accounting and financial reporting requirements for leases, improving accounting and financial reporting for leases for governments. Leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract will be recognized as a lease liability and an intangible right-to-use lease asset for lessees and a lease receivable and a deferred inflow of resources for a lessor. The requirements of this Statement are effective for fiscal years beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. The requirements for this statement are effective for reporting periods beginning after December 15, 2019.

Recently Adopted Accounting Pronouncements

The District adopted the following GASB statements in the current year which had a significant impact on the District’s basic financial statements.

Effective July 1, 2017 the District implemented the provisions of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). This statement establishes new accounting and financial reporting requirements for OPEB, improving the accounting and financial reporting by state and local governments. It replaces the requirements of GASB Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 requires the whole actuarially determined net OPEB liability to be recognized in the District’s financial statements. The District restated its beginning net position to record the beginning net OPEB liability of \$174,642 and the beginning deferred outflows of resources related to OPEB of \$48,854 and reverse the previously recognized net OPEB liability of \$160,210.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents held by the District are comprised of the following as of June 30, 2018:

| | |
|--|----------------------------|
| Petty cash | \$ 501 |
| Deposits in financial institutions | 477,209 |
| Cash held in the Riverside County Treasurer’s Pooled Investment Fund | <u>1,177,811</u> |
| | <u>\$ 1,655,521</u> |

For purposes of the following discussion, the amount held in the Riverside County Treasurer’s Pooled Investment Fund (“RCTPIF”) has been classified as investments. The District is a voluntary participant in the RCTPIF. The RCTPIF pools these funds with those of other entities and invests the cash as prescribed by the California Government Code. The District’s investment in this pool is reported in the accompanying financial statements at amortized cost which approximates the fair value of the District’s pro-rata share of the entire RCTPIF portfolio. The balance available for withdrawal is based on the accounting records maintained by RCTPIF, which are recorded on an amortized cost basis. There are no limitations on the withdrawal of these funds.

Investments Authorized by the District’s Investment Policy

The District’s investment policy authorizes investment in the RCTPIF. The District’s investment policy does not contain specific provisions intended to limit the District’s exposure to interest rate risk, credit risk, and concentration of credit risk.

Credit Risk and Custodial 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 RCTPIF is not rated; however, investments in the RCTPIF are highly liquid assets and are secured by the full faith and credit of Riverside County.

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. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Credit Risk and Custodial Credit Risk (Continued)

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 provision 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 percent 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 percent of the secured public deposits.

As of June 30, 2018, \$227,209 of the District's total bank balance was not insured by the Federal Deposit Insurance Corporation (FDIC); however, this amount was collateralized as described above by securities held by the bank in a public funds collateral pool, not specifically in the District's name.

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2018 was as follows:

| | As Restated (See Note 2) | | | |
|---|-----------------------------|--------------------------|----------------------------|--------------------------|
| | Beginning Balance | Additions | Deletions | Ending Balance |
| Compensated absences | \$ 21,514 | \$ 46,581 | \$ (39,076) | \$ 29,019 |
| Net other post employment benefits liability | 174,642 | 34,947 | (48,854) | 160,735 |
| Net pension liability | <u>612,637</u> | <u>365,058</u> | <u>(272,761)</u> | <u>704,934</u> |
| Total | <u>\$ 808,793</u> | <u>\$ 446,586</u> | <u>\$ (360,691)</u> | <u>\$ 894,688</u> |

The portions of each component of long-term liabilities that are considered due within one year are as follows: compensated absences \$29,019, net other post-employment benefits \$0, and net pension liability \$0.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|--------------------------|---------------------------|----------------------------|
| Capital assets nondepreciable: | | | | |
| Land | \$ 271,450 | \$ - | \$ - | \$ 271,450 |
| Construction in progress | <u>-</u> | <u>44,560</u> | <u>-</u> | <u>44,560</u> |
| Total capital assets nondepreciable | <u>271,450</u> | <u>44,560</u> | <u>-</u> | <u>316,010</u> |
| Capital assets depreciable: | | | | |
| Buildings and infrastructure | 1,052,822 | 29,372 | - | 1,082,194 |
| Building and land improvements | 886,234 | 221,562 | - | 1,107,796 |
| Maintenance equipment and vehicles | <u>145,868</u> | <u>114,888</u> | <u>(20,663)</u> | <u>240,093</u> |
| Total capital assets depreciable | <u>2,084,924</u> | <u>365,822</u> | <u>(20,663)</u> | <u>2,430,083</u> |
| Less accumulated depreciation: | | | | |
| Buildings and infrastructure | (617,813) | (29,761) | - | (647,574) |
| Building and land improvements | (142,887) | (49,479) | - | (192,366) |
| Maintenance equipment and vehicles | <u>(82,787)</u> | <u>(20,494)</u> | <u>8,265</u> | <u>(95,016)</u> |
| Total accumulated depreciation | <u>(843,487)</u> | <u>(99,734)</u> | <u>8,265</u> | <u>(934,956)</u> |
| Total capital assets depreciable, net | <u>1,241,437</u> | <u>266,088</u> | <u>(12,398)</u> | <u>1,495,127</u> |
| Total capital assets, net | <u>\$ 1,512,887</u> | <u>\$ 310,648</u> | <u>\$ (12,398)</u> | <u>\$ 1,811,137</u> |

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – PENSION PLAN

General Information About the Pension Plan

Plan Description

All qualified employees are required to participate in the District’s Miscellaneous Plan (the “Plan”), a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), unless they specifically opt out. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employee’s Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, membership, and financial information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided

Full descriptions of the pension plan benefit provisions are listed in the Actuarial Valuation reports. Details of the benefits provided can be found in the Major Benefit Options section of Section 1 of the reports and Appendix B of Section 2 of the reports. These reports are publicly available and can also be found on CalPERS website.

The plan’s provisions and benefits in effect at June 30, 2018 are summarized as follows:

| | Miscellaneous | |
|--|--------------------------|------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013* |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013* |
| Benefit formula | 2.7% at 55 | 2.0% at 62 |
| Benefit vesting schedule | 5 years | 5 years |
| Benefit payments | Monthly for life | Monthly for life |
| Final average compensation period | 12 months | 36 months |
| Sick leave credit | Yes | Yes |
| Retirement age | 50 to 55 & up | 52 to 67 & up |
| Monthly benefits as a percent of eligible compensation | 2.0% to 2.7% | 1.0% to 2.5% |
| Cost of living adjustment | 2.0% | 2.0% |
| Required employee contributions rates | 8.00% | 6.25% |
| Required employer contribution rates | 11.675% + \$3,687/month | 6.533% + \$81/month |

* For employees that were hired on or after January 1, 2013, were already a member of CalPERS prior to January 1, 2013, and had less than a six month break in service, the benefit formula is 2.0% at 55, the required employee contribution rate was 7.00%, and the required employer contribution rate was 8.418%. All other plan provisions and benefits are the same as those for other employees hired on or after January 1, 2013.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – PENSION PLAN (Continued)

General Information About the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s total employer contributions were \$88,096 for the year ended June 30, 2018.

Pension Related Liabilities, Expense, and Deferred Outflows/Deferred Inflows of Resources

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability as of June 30, 2017 measurement date was .00018%. There was no change in this proportion since the prior measurement date.

For the year ended June 30, 2018, the District recognized pension expense of \$126,651. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date | \$ 88,096 | \$ - |
| Difference between expected and actual experience | 983 | 14,084 |
| Changes in assumptions | 121,971 | 9,300 |
| Difference in actual versus projected contributions | 560 | 16,929 |
| Net difference between projected and actual earnings on pension plan investments | 27,585 | - |
| Adjustment due to differences in proportion | <u>65,967</u> | <u>-</u> |
| Total | <u>\$ 305,162</u> | <u>\$ 40,313</u> |

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – PENSION PLAN (Continued)

Pension Related Liabilities, Expense, and Deferred Outflows/Deferred Inflows of Resources
(Continued)

The \$88,096 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

| <u>Year</u> <u>Ending June 30,</u> | |
|---------------------------------------|--------------------------|
| 2019 | \$ 54,302 |
| 2020 | 87,087 |
| 2021 | 51,742 |
| 2022 | <u>(16,378)</u> |
| Total | <u>\$ 176,753</u> |

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Methods and assumptions

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Actuarial cost method | Entry age normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial Assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.75% |
| Salary increases | Varies by entry age and duration of service |
| Mortality rate table* | Derived using CalPERS' membership data for all funds |
| Post-retirement benefit increase | Contract COLA up to 2.75 percent until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter. |

* The mortality table used was developed based on CalPERS' specific data. The table includes 20-year mortality improvements using Society of Actuaries Scale BB.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumption

For the measurement period ended June 30, 2017, the discount rate was changed from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions includes the unamortized portion of this assumption change.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – PENSION PLAN (Continued)

Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return | |
|-------------------------------|--------------------------------|-------------------------|------------------|
| | | Years 1-10 ¹ | 11+ ² |
| Global equity | 47% | 4.90% | 5.38% |
| Global debt securities | 19% | 0.80% | 2.27% |
| Inflation assets | 6% | 0.60% | 1.39% |
| Private equity | 12% | 6.60% | 6.63% |
| Real estate | 11% | 2.80% | 5.21% |
| Infrastructure and forestland | 3% | 3.90% | 5.36% |
| Liquidity | 2% | (0.40)% | (0.90)% |
| Total | <u>100%</u> | | |

¹An expected inflation of 2.5 percent used for this period.

²An expected inflation of 3.0 percent used for this period.

Changes in the Net Pension Liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current rate:

| | Discount Rate -1% | Current Rate | Discount Rate +1% |
|-----------------------|----------------------|-----------------|----------------------|
| | <u>6.15%</u> | <u>7.15%</u> | <u>8.15%</u> |
| Net pension liability | \$ 1,106,987 | \$ 704,934 | \$ 371,947 |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information About the OPEB Plan

Plan Description

The District has established a retiree healthcare benefits plan and participates in the California Employer’s Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree healthcare and other postemployment benefits costs.

Benefits Provided

The OPEB Plan provides postemployment healthcare benefits through a third-party insurer to employees who retire from the District on or after age 50 and have at least 10 years of service. The District pays a portion of the retiree’s health premiums for eligible retirees range from 50% at 10 years of service up to 100% at 25 years of service. The District’s board of directors has the authority to establish and amend the benefit terms.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 1 |
| Active employees | 12 |
| Total | 13 |

Contributions

The District’s board of directors establishes and amends the contribution requirements for the OPEB Plan. The District pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties, outside of CERBT, and makes additional contributions to CERBT to prefund benefits as determined by the District’s board of directors annually. For the fiscal year ended June 30, 2018, the District’s contributed \$48,677 to the OPEB Plan, of which \$3,677 was used for current retiree healthcare premiums and \$45,000 was used to prefund benefits.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Actuarial Cost Method | Entry age normal |
| Inflation | 2.75% |
| Salary increases | 2.75% per year |
| Investment rate of return | 7.0% net of expenses |
| Healthcare cost trend rates | 4% per year |
| Mortality rates | Based on the 2014 CalPERS mortality rates for Miscellaneous Employees experience studies. |
| Retirement rates | Based on the 2009 CalPERS retirement rates for miscellaneous employees experience studies. |
| Turnover rates | Based on the 2009 CalPERS turnover rates for miscellaneous employees experience studies. |

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--|--------------------------|---|
| Global Equity | 59% | 7.795% |
| Fixed Income | 25% | 5.295% |
| Treasury Inflation- Protected Securities | 5% | 7.795% |
| Real Estate Investment Trusts | 8% | 7.795% |
| Commodities | 3% | 7.795% |

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually but reflect the return for the asset class for the portfolio average. Additionally, the historic 30-year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates sufficient to fully fund the obligation over a period not to exceed 30 years. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

| | <u>Increase (Decrease)</u> | | |
|------------------------------|---------------------------------|--|-------------------------------|
| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
| Balance at beginning of year | \$ 441,819 | \$ 267,177 | \$ 174,642 |
| Changes for the year: | | | |
| Service cost | 7,089 | - | 7,089 |
| Interest | 27,858 | - | 27,858 |
| Employer contributions | - | 25,557 | (25,557) |
| Actual investment income | - | 23,494 | (23,494) |
| Administrative expense | - | (197) | 197 |
| Benefit payments | <u>(3,836)</u> | <u>(3,836)</u> | <u>-</u> |
| Net Change | <u>31,111</u> | <u>45,018</u> | <u>(13,907)</u> |
| Balance at year-end | <u>\$ 472,930</u> | <u>\$ 312,195</u> | <u>\$ 160,735</u> |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it was calculated using a discount rate that is 1 percentage-point lower (6.0 percent) or 1 percentage-point higher (8.0 percent) than the current discount rate:

| | <u>1 % Decrease 6%</u> | <u>Discount Rate 7%</u> | <u>1% Increase 8%</u> |
|--------------------|----------------------------|-----------------------------|---------------------------|
| Net OPEB liability | \$ 251,495 | \$ 160,735 | \$ 90,362 |

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

| | Trend 1% lower | Valuation Trend | Trend 1% higher |
|--------------------|-------------------|--------------------|--------------------|
| Net OPEB Liability | \$ 88,576 | \$ 160,735 | \$ 252,362 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in CalPER'S CERBT Schedule of Changes in Fiduciary Net Position by Employer which can be found online at <https://www.calpers.ca.gov/page/forms-publications>.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB Plan expense of \$13,714. At June 30, 2018, the District had a deferred outflow of resources in the amount of \$69,801 due to OPEB Plan contributions made subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB Plan liability in the fiscal year ended June 30, 2019. The District had no other deferred inflows or deferred outflows of resources for OPEB at June 30, 2018.

NOTE 8 – LESSOR LEASES

The District leases a small portion of their land to a communications company which installed a communication antenna facility on the land. The lease commenced on April 1, 2016 and has a five-year term. The total annual rent for the initial year of the lease was \$25,200, paid in equal monthly installments in advance on the first day of the month. The annual rent increases by 3% on each anniversary of the commencement date. The future minimum rent receivable under this agreement are as follows (see Note 11 for further information regarding this lease):

| Year Ending June 30, | |
|-------------------------|-------------------------|
| 2019 | \$ 27,002 |
| 2020 | 27,812 |
| 2021 | 18,909 |
| Total | <u>\$ 73,723</u> |

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – JOINT VENTURES

The District participates in a joint venture under a joint powers agreement (“JPA”) with the California Association for Park and Recreation Indemnity (“CAPRI”). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Audited financial statements are available by contacting CAPRI at 6341 Auburn Blvd., Suite A, Citrus Heights, California 95621-5203.

CAPRI provides insurance coverages, risk management, safety and loss prevention services to its over 60 member districts through a risk-sharing pool. CAPRI is governed by a 9 member board of directors comprised primarily of representatives of the member districts. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board.

Condensed audited financial information for CAPRI for the year ended June 30, 2018 is as follows:

| | |
|--|-----------------------------|
| Total assets | \$ 23,722,024 |
| Deferred outflows of resources | <u>212,538</u> |
| Total assets and deferred outflows of resources | <u>\$ 23,934,562</u> |
| | |
| Total liabilities | \$ 17,414,153 |
| Deferred inflows of resources | 49,737 |
| Net position | <u>6,470,672</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 23,934,562</u> |
| | |
| Total operating revenues | \$ 9,279,644 |
| Total operating expenses | (8,664,499) |
| Total nonoperating income | <u>21,228</u> |
| | |
| Changes in net position | <u>\$ 636,373</u> |

**NOTE 10 – RECONCILIATION OF FUND FINANCIAL STATEMENTS TO
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Total fund balances and the net change in fund balances of the District’s general fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balances.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Fund balance – total governmental funds \$ 1,567,887

Amounts reported in the statement of net position are different because:

| | |
|---|-----------------|
| Teeter plan property taxes are included as a receivable | 26,416 |
| Capital assets are not financial resources, and are not reported in the fund | 1,811,137 |
| Deferred outflows of resources | 374,963 |
| Compensated absences are included as a liability | (29,019) |
| Net pension liability | (704,934) |
| Net other post-employment benefits liability | (160,735) |
| Deferred inflows of resources | <u>(40,313)</u> |

Net position – governmental activities **\$ 2,845,402**

Net change in fund balances – total governmental funds \$ 89,289

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|-----|
| Teeter plan property taxes receivable are included as revenue | 372 |
|---|-----|

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:

| | |
|--|----------|
| Capital asset acquisitions | 389,720 |
| Less current year depreciation expense | (91,470) |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds:

| | |
|--|---------------|
| Accrued compensated absences | (7,505) |
| Net pension liability | (40,663) |
| Net other post-employment benefits liability | <u>34,854</u> |

Change in net position - governmental activities **\$ 374,597**

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – SUBSEQUENT EVENTS

Late during the year ended June 30, 2018, the District entered into an agreement with the City of Beaumont (the “City”) to allow the District to directly collect development impact fees that the District is entitled to. Developers must pay these fees when applying for building permits. Previously, the fees were collected by the City and the District’s portion was remitted to them by the City. The District did not actually begin collecting these fees until subsequent to June 30, 2018. The District directly collecting their portion of these fees in the future is anticipated to have a positive impact on their cash flow and the timely collection of the fees. During the year ended June 30, 2019, the District collected \$313,000 related to these fees. The amount of fees collected in future years will vary depending on the amount of development happening in the area.

In April 1992, the District established the Beaumont-Cherry Valley Recreation and Park Improvement Corporation (the “Corporation”). The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California. It was formed primarily to strengthen the resources of the District and to improve the general public’s knowledge concerning programs sponsored by the District. The entity has been inactive for the past several years; however, subsequent to June 30, 2018 the Corporation began to have activity. A separate bank account was opened for the Corporation and funds have been donated to the Corporation by the District. Furthermore, the Corporation held its first fund raising event in May of 2019. The Corporation and the District share substantially the same board of directors and management and therefore the District is able to impose its will upon the Corporation. Accordingly, it is anticipated that the Corporation will have to be included within the District’s financial statements as a component unit in future fiscal years. The Corporation’s primary revenue sources are anticipated to be fundraising events and donations. The primary expenses are anticipated to relate to capital improvements for the park that will be donated to the park upon completion. As of June 30, 2019, the Corporation’s primary assets consisted of \$240,797 in cash and there were no significant liabilities.

In January 2019, the operations of Bogart Regional Park’s (“Bogart”) were assumed by the District. Bogart was previously managed by the County of Riverside (the “County”) and is on roughly 300 acres of land of which 80 acres was owned by the County and 220 is owned by the Beaumont-Cherry Valley Water District (“BCV Water”). The County donated its portion of the land to the District and BCV Water leases its portion of the land to the District at no cost. The District will receive \$100,000 a year for 3 years from the County to cover operational and improvement costs for Bogart. During the period from January 2019 through June 2019, the District spent approximately \$198,000 on the operations of Bogart and capital improvements. Most of this money was spent on repairs and capital improvements due to deferred maintenance needs. It is anticipated that the costs of operating Bogart will be significantly reduced once the necessary repairs and capital improvements are complete. Ongoing operational cost will largely consist of landscaping and bathroom maintenance. Ongoing revenues will be generated by entrance fees, annual passes, and camping fees. During the period from January 2019 through June 2019, the District collected \$31,963 from these fees. This is anticipated to increase in the future as Bogart is improved and the District works to improve awareness of Bogart.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 – SUBSEQUENT EVENTS (Continued)

In December 2018, the District's lease for a communication antenna facility (see Note 8) on the District's property was reassigned to an outside company and a \$316,736 lump sum was received in exchange. This money was donated to the Corporation.

In March 2019, the District sold a land easement to Southern California Edison ("SCE") for \$52,000. This land easement grants SCE access to a portion of the District's land in order to operate and maintain SCE power lines on the land. This money was donated to the Corporation.

In preparation of these financial statements, the District considered subsequent events through December 20, 2019, which is the date these financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED
June 30, 2018

Schedule of Pension Plan Contributions
Last 10 Years*

| <u>Fiscal Year</u> | <u>Contractually Required Contributions</u> | <u>Contributions in Relation to the Actuarially Determined Contributions</u> | <u>Contribution Deficiency/ (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a % of Covered Payroll</u> |
|--------------------|---|--|--|----------------------------|--|
| 2018 | \$ 88,096 | \$ (88,096) | \$ - | \$ 532,139 | 16.55% |
| 2017 | 84,684 | (84,684) | - | 585,148 | 14.47 |
| 2016 | 48,798 | (48,798) | - | 466,221 | 10.47 |
| 2015 | 42,396 | (42,396) | - | 426,566 | 9.93 |

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED
June 30, 2018

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Years*

| <u>Fiscal Year</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of Net Pension Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability as a % of Payroll</u> | <u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u> |
|--------------------|--|---|------------------------|---|--|
| 2018 | .01788% | \$ 704,934 | \$ 532,139 | 132.47% | 75.88% |
| 2017 | .01764 | 612,637 | 585,148 | 104.70 | 76.29 |
| 2016 | .01670 | 458,128 | 466,221 | 98.26 | 81.57 |
| 2015 | Not available | 313,776 | 426,566 | 73.56 | Not available |

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Notes to the Pension Schedules

Benefit Changes

None

Changes in Assumptions

Amounts reported in fiscal year 2018 reflect a change in the discount rate from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions includes the unamortized portion of this assumption change.

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED
June 30, 2018

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Last 10 Years*

| | OPEB Liability <u>June 30, 2018</u> |
|----------------------------|---|
| Balance beginning of year | \$ 174,642 |
| Changes for the year: | |
| Service cost | 7,089 |
| Interest | 27,858 |
| Employer contributions | (25,557) |
| Actual investment income | (23,494) |
| Administrative expense | <u>197</u> |
| Balance at year-end | <u>\$ 160,735</u> |

*Fiscal year 2018 was the first year of implementation, therefore, no all 10 years of information is available.

Notes to the OPEB Schedule

Benefit Changes

None

Changes in Assumptions

None

Note: certain types of total OPEB liability changes are subject to deferral, as are investment gains/losses. The qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. Therefore, valuation-based deferred items will not begin until the next valuation.

OTHER SUPPLEMENTARY INFORMATION - UNAUDITED

BEAUMONT-CHERRY VALLEY RECREATION AND PARK DISTRICT
OTHER SUPPLEMENTARY INFORMATION – UNAUDITED
June 30, 2018

Officers, Directors, and Senior Management

As of June 30, 2018, the officers, directors, and senior management of the District were:

| | <u>Term Expires</u> |
|----------------------------------|---------------------|
| John Flores, Chairman | November 2020 |
| Dan Hughes, Vice-chair/Secretary | November 2020 |
| Chris Diercks, Treasurer | November 2018 |
| Armando De La Cruz, Director | November 2018 |
| Denise Ward, Director | November 2020 |
| Duane Burk, General Manager | N/A |

Insurance Coverage

The District's insurance provider is the California Association for Park and Recreation Indemnity (CAPRI). Coverage carried by the District includes bodily injury, personal injury, advertising injury, property damage, and public official and employee liability which may occur anywhere in the world. The insurance provides coverage up to \$1,000,000 per occurrence for the following:

Property Damage – The deductible for general property damage is \$2,000 per occurrence. For earthquake damage the deductible is \$50,000 per occurrence or 5% of the value of the building, contents, and/or structure damage, whichever is greater. For flood damage the deductible is \$20,000 per occurrence.

Employment Practices, Bodily Injury, Personal Injury, Public Officials Errors and Omissions Liability – These items are subject to a \$20,000 deductible. The deductible is reduced to \$5,000 if the District follows guidelines set by CAPRI, such as consulting with the District's general counsel.

Crime – The deductible for employee theft is \$15,000 per occurrence. The deductible for forgery, theft of money, robbery, computer fraud, funds transfer fraud, and counterfeit money is \$5,000 per occurrence.

The District has a worker's compensation policy with employer liability coverage per occurrence that meets the statutory requirements and covers all employees.