# VALLEY-WIDE RECREATION AND PARK DISTRICT

## ANNUAL FINANCIAL REPORT

## WITH REPORT ON AUDIT BY
## INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2017

FOR THE YEAR ENDED JUNE 30, 2017

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

# INDEPENDENT AUDITORS' REPORT

Board of Directors
Valley-Wide Recreation and Park District
Hemet, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Valley-Wide Recreation and Park District (the District) as of and for the year ended June 30, 2017, 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.

## Auditors' 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 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 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.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Valley-Wide Recreation and Park District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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*Offices located in Orange and San Diego Counties*

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Defined Benefit Pension Plans, Budgetary Comparison Schedules, Schedule of Funding Progress for OPEB, identified as Required Supplementary Information (RSI) in the accompanying 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 RSI 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Valley-Wide Recreation and Park District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

White Nelson Diehl Evans LLP

Carlsbad, California
March 8, 2018

**June 30, 2017**

This section of the Valley-Wide Recreation and Park District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2017. This information is presented in conjunction with the audited basic financial statements, which follows this section.

## FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017

- The assets of the District exceeded liabilities at the close of the 2016-2017 the fiscal year by $73,204,472 (net position). Of this amount, $874,302(unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and $57,493,454 is invested in capital assets – net of related debt.

- As of June 30, 2017 the District's governmental funds reported combined fund balances of $20,332,187. $4,614,211 is available to meet the District's General Fund current and future needs (unassigned fund balance).

- At the end of the fiscal year, nonspendable and unassigned fund balance for the general fund was $4,696,261 or 70.9% of total general fund expenditures.

- The District had one lease financing agreement, which is paid off during the current fiscal year.

- The District has a loan from the Eastern Municipal Water District with a remaining balance of $49,613 at June 30, 2017.

- In fiscal year June 30, 2015, the District adopted Governmental Accounting Standard Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions, and amendment of GASB Statement No. 27"*, and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*.

  The primary objective of GASB 68 is to address the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The District has these type of pension plans for its employees. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures on the District's financial statements. In addition, GASB 68 requires that notes to financial statements include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit (See Note 6). The requirements of this Statement will improve the decision-usefulness of the information in the District's financial reports and will enhance its value for assessing accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components, government – wide financial statements, fund financial statements and notes to the financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

## REQUIRED FINANCIAL STATEMENTS

**Government – Wide Financial Statements** are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources and the obligations to District creditors. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business type activities). The governmental activities of the District are recreational and park activities. The business type activities are golf course activities.

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. The funds of the District are: governmental funds and proprietary funds.

**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 the District'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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

**Proprietary Funds** are used when the district charges fees to cover the costs of certain services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The District uses a proprietary fund to report its golf course activities.

### Notes to the 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. The notes to the financial statements can be found immediately following the basic financial statements.

## Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information and other supplementary information which can be found on pages 49-63 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's Statement of Net Position in comparison to the prior year is presented below.

Condensed Statement of Net Position
Fiscal Years
June 30, 2016 and 2017

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| **Assets:** | | | | | | |
| Current and other Assets | $ 21,188,780 | $ 21,571,715 | $ (1,134,544) | $ (1,174,789) | $ 20,054,236 | $ 20,396,926 |
| Capital Assets | 56,272,260 | 56,592,806 | 998,188 | 975,928 | 57,270,448 | 57,568,734 |
| Total Assets | 77,461,040 | 78,164,521 | (136,356) | (198,861) | 77,324,684 | 77,965,660 |
| **Deferred Outflows of Resources:** | | | | | | |
| Deferred amounts from pension | 783,638 | 1,236,116 | 31,547 | 46,162 | 815,185 | 1,282,278 |
| Total Deferred Outflows | 783,638 | 1,236,116 | 31,547 | 46,162 | 815,185 | 1,282,278 |
| **Liabilities:** | | | | | | |
| Current Liabilities | 1,009,801 | 1,000,316 | 10,822 | 8,830 | 1,020,623 | 1,009,146 |
| Noncurrent | 4,653,214 | 4,761,639 | 109,459 | 124,529 | 4,762,673 | 4,886,168 |
| Total Liabilities | 5,663,015 | 5,761,955 | 120,281 | 133,359 | 5,783,296 | 5,895,314 |
| **Deferred Inflows of Resources:** | | | | | | |
| Deferred amounts from pension | 288,326 | 142,819 | 11,607 | 5,333 | 299,933 | 148,152 |
| Total Deferred Inflows | 288,326 | 142,819 | 11,607 | 5,333 | 299,933 | 148,152 |
| **Net Position:** | | | | | | |
| Net investment in capital assets | 55,426,836 | 56,517,526 | (86,812) | 975,928 | 55,340,024 | 57,493,454 |
| Restricted | 13,486,724 | 14,836,716 | - | - | 13,486,724 | 14,836,716 |
| Unrestricted | 3,379,777 | 2,141,621 | (149,885) | (1,267,319) | 3,229,892 | 874,302 |
| Total Net Position | $ 72,293,337 | $ 73,495,863 | $ (236,697) | $ (291,391) | $ 72,056,640 | $ 73,204,472 |

The following is a brief explanation for the balance changes of the Condensed Statement of Net Position for the year ending June 30, 2017.

- At the end of the fiscal year 2017, the District shows a positive balance in its unrestricted net position of $3,229,892 which may be utilized in future years.

- The increase in the net investment in capital assets is due to the many capital projects completed during the year.

A summary of the District's Statement of Activities in comparison to the prior year is presented below.

Condensed Statement of Activities
Fiscal Years
June 30, 2016 and 2017

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| **Program Revenues:** | | | | | | |
| Charges for services | $ 10,812,372 | $ 11,408,740 | $ 261,822 | $ 273,990 | $ 11,074,194 | $ 11,682,730 |
| Operating grants and contributions | 1,011,535 | 992,121 | - | - | 1,011,535 | 992,121 |
| Capital contributions and grants | - | 414,406 | - | - | - | 414,406 |
| | 11,823,907 | 12,815,267 | 261,822 | 273,990 | 12,085,729 | 13,089,257 |
| **General Revenues:** | | | | | | |
| Taxes and special assessments | 1,429,309 | 1,559,756 | - | - | 1,429,309 | 1,559,756 |
| Investment earnings | 474,817 | 450,866 | - | - | 474,817 | 450,866 |
| Miscellaneous | 1,907,924 | 3,213,797 | - | - | 1,907,924 | 3,213,797 |
| | 3,812,050 | 5,224,419 | - | - | 3,812,050 | 5,224,419 |
| Total Revenue | 15,635,957 | 18,039,686 | 261,822 | 273,990 | 15,897,779 | 18,313,676 |
| **Expenses:** | | | | | | |
| Recreation and park activities | 15,254,866 | 16,801,854 | 353,250 | 328,684 | 15,608,116 | 17,130,538 |
| Interest on long-term debt | 39,048 | 35,306 | - | - | 39,048 | 35,306 |
| Total Expenses | 15,293,914 | 16,837,160 | 353,250 | 328,684 | 15,647,164 | 17,165,844 |
| Changes in Net Position | 342,043 | 1,202,526 | (91,428) | (54,694) | 250,615 | 1,147,832 |
| Beginning Net Position | 71,951,294 | 72,293,337 | (145,269) | (236,697) | 71,806,025 | 72,056,640 |
| Ending Net Position | $ 72,293,337 | $ 73,495,863 | $ (236,697) | $ (291,391) | $ 72,056,640 | $ 73,204,472 |

The following is a brief explanation for the balance changes of the Condensed Statement of Activities for the year ending June 30, 2017.

- Charges for services showed a modest increase primarily due to the popularity of the programs offered by the District even with the sluggish economy.
- The increase in capital contributions and grants is due to the increase in park land accepted by the District from developers during the year along with utilization of grants.
- Miscellaneous revenues increased mainly due to the sale of two of our cell tower leases in the amount of $1,117,344.
- Recreation and park activities expenses increased largely due to increased landscape maintenance, utilities and repair costs associated with adding streetscapes and parks.

## CAPITAL ASSETS

Capital Assets at Year-End

| | Balance at June 30, 2016 Net of Accumulated Depreciation | Increases | Decreases | Current Year Depreciation | Balance at June 30, 2017 Net of Accumulated Depreciation |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Land | $ 12,917,575 | $ - | $ - | $ - | $ 12,917,575 |
| Historical automobile | 22,900 | - | - | - | 22,900 |
| Construction in progress | 65,815 | 1,941,454 | (775,299) | - | 1,231,970 |
| Building and improvements | 59,827,425 | 893,944 | - | (1,722,689) | 58,998,680 |
| Equipment | 208,017 | - | - | (4,790) | 203,227 |
| Vehicles | 345,897 | - | - | (12,074) | 333,823 |
| | $ 73,387,629 | $ 2,835,398 | $ (775,299) | $ (1,739,553) | $ 73,708,175 |
| **Business-type Activities:** | | | | | |
| Land | $ 269,364 | $ - | $ - | $ - | $ 269,364 |
| Building and improvements | 795,299 | - | - | (26,507) | 768,792 |
| Equipment | 50,743 | 9,990 | - | (5,743) | 54,990 |
| | $ 1,115,406 | $ 9,990 | $ - | $ (32,250) | $ 1,093,146 |

As of June 30, 2017 the District's investment in capital assets net of accumulated depreciation was $73,708,175 and $1,093,146 for Governmental and Business-type Activities, respectively. The investment in capital assets includes land, site improvements, buildings and improvements, vehicles and equipment. The capital assets are presented in the government – wide statement of net position. The District made improvements to several parks in the 2016-2017 fiscal year utilizing Quimby Funds, Park Development Funds, Grants, and donations.

The planning process for new parks is going to be improved and dedicated to the District in fiscal year 2017-2018 including the completion of Jim Venables Exchange Park, Discovery Park, Mahogany Meadows, Honey Pine, and the continued installation of streetscapes throughout the District. These parks add over 45 acres of additional parkland.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At year end, the District's governmental funds reported combined fund balance of $20.3 million, which is an increase of $.2 million from the $20.1 million at June 30, 2016.

- The general fund had a positive fund balance change of $700,971 primarily due to the collection of funds from the dissolution of the local Redevelopment Agencies, as well as the District's ongoing effort to maximize efficient operations and utility cost management. The District also sold two cell tower leases and used the proceeds to pay off the 2012 lease agreement.
- The capital projects fund had a positive fund balance change of $5,280 due to theQuimby Fees collected during the year exceeding Capital Outlay.

## GENERAL FUND BUDGETARY HIGHLIGHTS-SEE PAGE 52

The final General Fund expenditures at year-end were $890,107 more than the final budget, which is due to the Districts payoff of the capital lease. Actual General Fund revenues compared to the final budget were up $1,466,442, due to the Districts selling cell tower leases.

## LONG – TERM DEBT

As of June 30, 2017 the District had $4,886,168 in noncurrent liabilities and $0 of current portion of long term debt as reported in the statement of net position. The outstanding debt consists of a loan with the Eastern Municipal Water District, the District's obligation to its employees for compensated absences, the Districts net OPEB obligation (note 8), and the Districts net pension liability (note 6). For more detailed information about the District's long term debt see note 3.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2017-2018 fiscal year will continue to prove to be a challenge. The District anticipates a minimal increase in tax revenues as housing values start to increase along with the continuing payments from the dissolution of the local Redevelopment Agencies. The uncertainties dealing with the detachment application submitted by the City of Menifee prove to be a major challenge in the budget process for the upcoming years.

## ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors 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 Valley-Wide Recreation and Park District General Manager at 901 W. Esplanade Avenue, San Jacinto, CA 92383.

## BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION
June 30, 2017

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and investments (Notes 1 and 2) | $ 15,341,551 | $ 12,030 | $ 15,353,581 |
| Accounts receivable | 175,331 | 10,069 | 185,400 |
| Taxes receivable | 258,777 | - | 258,777 |
| Intergovernmental receivable | 391,490 | - | 391,490 |
| Internal balances | 1,206,000 | (1,206,000) | - |
| Interest receivable | 3,009 | - | 3,009 |
| Inventories | - | 9,112 | 9,112 |
| Prepaid items | 14,000 | - | 14,000 |
| Restricted assets: | | | |
| Cash and investments (Notes 1 and 2) | 4,181,411 | - | 4,181,411 |
| Interest receivable | 144 | - | 144 |
| Total Current Assets | 21,571,713 | (1,174,789) | 20,396,924 |
| Noncurrent Assets: | | | |
| Capital Assets (Notes 1 and 4): | | | |
| Not being depreciated | 14,172,445 | 269,364 | 14,441,809 |
| Capital assets, net of depreciation | 42,420,361 | 706,564 | 43,126,925 |
| Total Capital Assets | 56,592,806 | 975,928 | 57,568,734 |
| Total Noncurrent Assets | 56,592,806 | 975,928 | 57,568,734 |
| TOTAL ASSETS | 78,164,519 | (198,861) | 77,965,658 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred amounts from pension | 1,236,116 | 46,162 | 1,282,278 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued liabilities | 896,704 | 8,830 | 905,534 |
| Long-term debt, due within one year (Note 3) | 49,613 | - | 49,613 |
| Current portion of compensated absences | 53,999 | - | 53,999 |
| Total Current Liabilities | 1,000,316 | 8,830 | 1,009,146 |
| Noncurrent Liabilities: | | | |
| Long-term debt due in more than one year (Note 3) | 25,667 | - | 25,667 |
| Net OPEB obligation (Note 7) | 1,312,225 | - | 1,312,225 |
| Compensated absences (Note 3) | 89,129 | - | 89,129 |
| Net pension liability | 3,334,618 | 124,529 | 3,459,147 |
| Total Noncurrent Liabilities | 4,761,639 | 124,529 | 4,886,168 |
| TOTAL LIABILITIES | 5,761,955 | 133,359 | 5,895,314 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred amounts from pension | 142,819 | 5,333 | 148,152 |
| NET POSITION: | | | |
| Net investment in capital assets | 56,517,526 | 975,928 | 57,493,454 |
| Restricted for parks and recreation | 14,836,715 | - | 14,836,715 |
| Unrestricted | 2,141,620 | (1,267,319) | 874,301 |
| TOTAL NET POSITION | $ 73,495,861 | $ (291,391) | $ 73,204,470 |

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

| | | Program Revenues | | |
|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Primary Government** | | | | |
| Governmental Activities: | | | | |
| General government | $ 1,358,316 | $ - | $ 936,725 | $ - |
| Parks and recreation | 3,930,634 | 931,081 | 55,396 | 414,406 |
| Public works - landscape maintenance | 11,512,906 | 10,477,659 | - | - |
| Interest on long-term debt | 35,306 | - | - | - |
| **Total governmental activities** | 16,837,162 | 11,408,740 | 992,121 | 414,406 |
| Business-Type Activities: | | | | |
| Golf | 328,684 | 273,990 | - | - |
| **Total business-type activities** | 328,684 | 273,990 | - | - |
| **Total primary government** | $ 17,165,846 | $ 11,682,730 | $ 992,121 | $ 414,406 |

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GENERAL REVENUES:
Taxes
Investment earnings
In lieu fees
Other revenues

Total General Revenues

CHANGES IN NET POSITION

NET POSITION - BEGINNING OF YEAR, AS RESTATED

NET POSITION - END OF YEAR

See accompanying notes to the financial statements.

(Continued)

| Net (Expense)/Revenue and Changes in Net Position | | |
|---|---|---|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| $ (421,591) | $ - | $ (421,591) |
| (2,529,751) | - | (2,529,751) |
| (1,035,247) | - | (1,035,247) |
| (35,306) | - | (35,306) |
| (4,021,895) | - | (4,021,895) |
| - | (54,694) | (54,694) |
| - | (54,694) | (54,694) |
| (4,021,895) | (54,694) | (4,076,589) |
| 1,559,756 | - | 1,559,756 |
| 450,866 | - | 450,866 |
| 375,341 | - | 375,341 |
| 2,838,456 | - | 2,838,456 |
| 5,224,419 | - | 5,224,419 |
| 1,202,524 | (54,694) | 1,147,830 |
| 72,293,337 | (236,697) | 72,056,640 |
| $ 73,495,861 | $ (291,391) | $ 73,204,470 |

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

| | General Fund | Special Revenue Funds: Menifee Landscape Maintenance District | Special Revenue Funds: Menifee South Landscape Maintenance District | Special Revenue Funds: French Valley Landscape Maintenance District |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and investments (Notes 1 and 2) | $ 4,443,733 | $ 1,663,764 | $ 2,462,941 | $ 4,703,744 |
| Restricted cash (Notes 1 and 2) | - | - | - | - |
| Accounts receivable | 89,154 | 28,579 | - | 14,997 |
| Taxes receivable | 64,291 | 19,927 | 6,994 | 29,652 |
| Intergovernmental receivable | 133,269 | 1,175 | - | 254,386 |
| Due from other funds (Note 9) | 188,900 | - | - | - |
| Interest receivable | 1,530 | 518 | 238 | 657 |
| Prepaid items | 14,000 | - | - | - |
| Advance to golf fund (Note 9) | - | - | - | - |
| Total Assets | $ 4,934,877 | $ 1,713,963 | $ 2,470,173 | $ 5,003,436 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | $ 238,616 | $ 221,420 | $ 53,376 | $ 262,359 |
| Due to other funds (Note 9) | - | - | - | - |
| Total Liabilities | 238,616 | 221,420 | 53,376 | 262,359 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenues | - | - | - | 217,740 |
| Total Deferred Inflows of Resources | - | - | - | 217,740 |
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Prepaid items | 14,000 | - | - | - |
| Advances | - | - | - | - |
| Restricted for: | | | | |
| Parks and recreation | - | 1,492,543 | 2,416,797 | 4,523,337 |
| Unassigned | 4,682,261 | - | - | - |
| Total Fund Balances | 4,696,261 | 1,492,543 | 2,416,797 | 4,523,337 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 4,934,877 | $ 1,713,963 | $ 2,470,173 | $ 5,003,436 |

(Continued)

(Continued)

| Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ - | $ 2,067,369 | $ 15,341,551 |
| 4,181,411 | - | 4,181,411 |
| 42,601 | - | 175,331 |
| - | 12,830 | 133,694 |
| - | 2,660 | 391,490 |
| - | - | 188,900 |
| 144 | 66 | 3,153 |
| - | - | 14,000 |
| 1,085,000 | - | 1,085,000 |
| $ 5,309,156 | $ 2,082,925 | $ 21,514,530 |
| | | |
| $ 57,571 | $ 63,362 | $ 896,704 |
| - | 67,900 | 67,900 |
| 57,571 | 131,262 | 964,604 |
| | | |
| - | - | 217,740 |
| - | - | 217,740 |
| | | |
| - | - | 14,000 |
| 1,085,000 | - | 1,085,000 |
| 4,166,585 | 2,019,713 | 14,618,975 |
| - | (68,050) | 4,614,211 |
| 5,251,585 | 1,951,663 | 20,332,186 |
| $ 5,309,156 | $ 2,082,925 | $ 21,514,530 |

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017

| | | Amount |
|---|---|---|
| Fund balances for governmental funds | | $ 20,332,186 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Accrued assets in the statement of net position differ from the amounts reported in governmental funds due to accrued property taxes received after the availability period. | | 125,083 |
| Capital assets used in governmental funds are not financial resources and therefore are not reported in governmental funds (net of accumulated depreciation). | | 56,592,806 |
| Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the statement of net position: | | |
| EMWD retrofit loan | (75,280) | |
| Compensated absences | (143,128) | (218,408) |
| The net OPEB obligation is not due and payable in the current period and therefore is not reported in the governmental fund balance sheet. | | (1,312,225) |
| Certain receivables recorded as unavailable revenue in governmental funds are recognized as revenue on the full-accrual basis and therefore are not reported as unavailable revenues in the statement of net position. | | 217,740 |
| Pension related debt applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position as the changes in these amounts affect only the government-wide statements for governmental activities. | | |
| Deferred outflows of resources | 1,236,116 | |
| Deferred inflows of resources | (142,819) | |
| Net pension liability | (3,334,618) | (2,241,321) |
| Net position of governmental activities | | $ 73,495,861 |

See accompanying notes to the financial statements.

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STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2017

| | General Fund | Special Revenue Funds: Menifee Landscape Maintenance District | Special Revenue Funds: Menifee South Landscape Maintenance District | Special Revenue Funds: French Valley Landscape Maintenance District |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes | $ 1,542,041 | $ - | $ - | $ - |
| Revenues from use of money and property | 323,014 | 25,128 | 3,452 | 87,482 |
| Intergovernmental revenues | 936,725 | - | - | - |
| Charges for services | 1,879,030 | 2,180,012 | 875,321 | 4,236,551 |
| In-lieu fees | - | - | - | - |
| Other revenues | 2,645,832 | 157,192 | - | 9,509 |
| Total Revenues | 7,326,642 | 2,362,332 | 878,773 | 4,333,542 |
| EXPENDITURES: | | | | |
| General government | 1,132,294 | - | - | - |
| Parks and recreation | 2,715,112 | 316,867 | - | 295,547 |
| Public works - landscape maintenance | 2,024,567 | 2,425,261 | 846,898 | 4,368,720 |
| Capital outlay | - | - | - | - |
| Debt Service: | | | | |
| Principal | 721,789 | 48,355 | - | - |
| Interest and fiscal charges | 31,909 | 3,397 | - | - |
| Total Expenditures | 6,625,671 | 2,793,880 | 846,898 | 4,664,267 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 700,971 | (431,548) | 31,875 | (330,725) |
| NET CHANGES IN FUND BALANCES | 700,971 | (431,548) | 31,875 | (330,725) |
| FUND BALANCES, JULY 1, AS RESTATED | 3,995,290 | 1,924,091 | 2,384,922 | 4,854,062 |
| FUND BALANCES, JUNE 30 | $ 4,696,261 | $ 1,492,543 | $ 2,416,797 | $ 4,523,337 |

(Continued)

(Continued)

| Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ - | $ - | $ 1,542,041 |
| 9,071 | 2,719 | 450,866 |
| - | - | 936,725 |
| 162,344 | 2,075,482 | 11,408,740 |
| 375,341 | - | 375,341 |
| 414,406 | 25,923 | 3,252,862 |
| 961,162 | 2,104,124 | 17,966,575 |
| - | - | 1,132,294 |
| - | - | 3,327,526 |
| - | 1,828,602 | 11,494,048 |
| 955,882 | - | 955,882 |
| - | - | 770,144 |
| - | - | 35,306 |
| 955,882 | 1,828,602 | 17,715,200 |
| 5,280 | 275,522 | 251,375 |
| 5,280 | 275,522 | 251,375 |
| 5,246,305 | 1,676,141 | 20,080,811 |
| $ 5,251,585 | $ 1,951,663 | $ 20,332,186 |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | | Amount |
|---|---|---|
| Net changes in fund balances - total governmental funds | | $ 251,375 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital assets acquisitions as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital assets acquired: | | |
| Purchased directly by the District | 2,060,099 | |
| Depreciation expense | (1,739,553) | 320,546 |
| Taxes and special assessment revenues in the statement of activities differ from the amounts reported in governmental funds due to accrued property taxes received after the 60 days recording criteria for governmental funds. | | 17,715 |
| The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes current financial resources of governmental funds. However, these transactions have no effect on net position: | | |
| Principal payments | 770,144 | |
| Net increase in compensated absences payable | (15,699) | 754,445 |
| Pension expense reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. | | (17,670) |
| Certain receivables recorded as unavailable revenue in governmental funds are recognized as revenue on the full-accrual basis and therefore are reported as revenues in the statement of activities. | | 55,396 |
| OPEB expense is recognized when paid in the statement of revenues, expenditures, and changes in fund balances and recognized when incurred in the statement of activities. | | (179,283) |
| Changes in net position of governmental activities | | $ 1,202,524 |

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

| | Golf Fund |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents (Notes 1 and 2) | $ 12,030 |
| Accounts receivable | 10,069 |
| Inventories | 9,112 |
| Total Current Assets | 31,211 |
| Noncurrent Assets: | |
| Capital assets (Notes 1 and 4) | |
| Not being depreciated | 269,364 |
| Capital assets, net of depreciation | 706,564 |
| Total Noncurrent Assets | 975,928 |
| TOTAL ASSETS | 1,007,139 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred amounts from pension | 46,162 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 46,162 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable and accrued liabilities | 8,830 |
| Due to other funds (Note 9a) | 121,000 |
| Total Current Liabilities | 129,830 |
| Noncurrent Liabilities: | |
| Advances from other funds (Note 9b) | 1,085,000 |
| Net pension liability | 124,529 |
| Total Noncurrent Liabilities | 1,209,529 |
| TOTAL LIABILITIES | 1,339,359 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred amounts on pension | 5,333 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 5,333 |
| NET POSITION | |
| Net investment in capital assets | 975,928 |
| Unrestricted | (1,267,319) |
| TOTAL NET POSITION | $ (291,391) |

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION (DEFICIT)
PROPRIETARY FUNDS
For the year ended June 30, 2017

| | Golf Fund |
|---|---|
| OPERATING REVENUES: | |
| Golf revenue | $ 273,990 |
| Total Operating Revenues | 273,990 |
| OPERATING EXPENSES: | |
| Parks and recreation | 161,215 |
| Public works - landscape maintenance | 132,686 |
| Depreciation | 32,250 |
| Total Operating Expenses | 326,151 |
| OPERATING LOSS | (52,161) |
| NONOPERATING REVENUES (EXPENSES): | |
| Interest expense | (2,533) |
| Total Nonoperating Revenues (Expenses), Net | (2,533) |
| Change in Net Position | (54,694) |
| Net deficit at beginning of year | (236,697) |
| Net deficit at end of year | $ (291,391) |

STATEMENT OF CASH FLOWS
For the year ended June 30, 2017

| | Golf Fund |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Cash receipts from customers | $ 272,347 |
| Cash payments for services and supplies | (252,377) |
| Net cash provided by operating activities | 19,970 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | |
| Interest payments | (2,531) |
| Acquisition of capital assets | (9,990) |
| Net cash used by capital and related financing activities | (12,521) |
| Net increase in cash and cash equivalents | 7,449 |
| **Cash and Cash Equivalents, Beginning of Year** | 4,581 |
| **Cash and Cash Equivalents, End of Year** | $ 12,030 |
| **Reconciliation of Operating Loss to Net Cash Flows Provided by Operating Activities:** | |
| Operating loss | $ (52,161) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | |
| Depreciation | 32,250 |
| Changes in operating assets, deferred outflows, liabilities, and deferred inflows: | |
| (Increase) decrease in assets: | |
| Receivables | (1,644) |
| Inventory | (1,663) |
| (Increase) decrease in deferred outflows: | |
| Deferred amounts from pension | (14,615) |
| Increase (decrease) in liabilities: | |
| Accounts payable | (1,993) |
| Due to other funds | 51,000 |
| Net pension liability | 15,070 |
| Increase (decrease) in deferred inflows: | |
| Deferred amounts from pension | (6,274) |
| Total Adjustments | 72,131 |
| Net Cash Provided by Operating Activities | $ 19,970 |

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June 30, 2017

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The reporting entity Valley-Wide Recreation and Park District (the District) includes the accounts of the District, the Menifee Landscape Maintenance District (MLMD), the Menifee North Landscape Maintenance District (MNLMD), the French Valley Landscape Maintenance District (FVLMD), the Menifee South Landscape Maintenance District (MSLMD), the Rivercrest Landscape Maintenance District (RLMD), the Winchester/Hunter Road Landscape Maintenance District (W/HRLMD), the Wheatfield Landscape Maintenance District (WLMD), the Valley-Wide Recreation Foundation (Foundation), and the Golf Course (GC).

The District was incorporated on July 27, 1972, under the statutory authority of the State of California Public Resources Code Section 5780 as a recreation and park district in eastern Riverside County, California.

MLMD, MNLMD, FVLMD, MSLMD, RLMD, W/HRLMD, and WLMD were formed under the State of California Streets and Highway Code Sections 22500-22509 to provide landscape maintenance and park development in special assessment districts in eastern Riverside County, California. Separate financial statements are not issued for these entities.

The Foundation was incorporated on September 29, 1980, as a nonprofit public benefit corporation under the State of California Nonprofit Public Benefit Corporation Law. The Foundation was organized for the purposes of rendering assistance to the District by acquiring, constructing, and financing recreation and park improvements, buildings, and the acquisition of land and related facilities for the use, benefit, and enjoyment of the public. Separate financial statements are not issued for this entity.

The Echo Hills Golf Course was purchased by the District during fiscal year 2012 and is accounted for as a proprietary fund using the full accrual basis of accounting.

As required by accounting principles generally accepted in the United States of America, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District is considered to be financially accountable for an organization if the District appoints a voting majority of that organization's governing body, and the District is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the District. The District is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the District (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the District). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the District are such that their exclusion would cause the District's financial statements to be misleading or incomplete. Based on these criteria, the component units of the District are MLMD, MNLMD, FVLMD, MSLMD, RLMD, W/HRLMD, WLMD, GC, and the Foundation.

Since the District's Board of Directors serves as the governing board for these component units, all of the District's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the District's operations and data from these units are reported with the interfund data of the primary government.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

   b. 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 District and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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.

   Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The District has no discretely presented component units. Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, interfund services have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

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

   Net position of the District is classified into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

   <u>Net investment in capital assets</u> - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

   <u>Restricted</u> - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

   <u>Unrestricted</u> - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

   The District receives funding from Quimby Fees, which is accounted for in the capital projects fund. Quimby Fee expenditures are restricted in use by the Quimby Act of 1975. Revenues guaranteed through the Quimby Act cannot be used for the operation and maintenance of park facilities.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

The fund balances reported on the fund statements consist of the following categories:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers, or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Directors.

Assigned - This classification includes amounts to be used by the government, authorized by the Board of Directors, for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In the government-wide statements, the District considers restricted funds to be spent first then unrestricted funds when expenditures are incurred for purposes for which both restricted and unrestricted net position is available. In the governmental funds, when both restricted and unrestricted resources are available for use, expenses are considered to be paid first from restricted resources and then from unrestricted resources. When committed, assigned, or unassigned amounts are available for use, expenses are considered to be paid first from committed, then from assigned, and then unassigned.

The underlying accounting 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Separate financial statements for the District's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. The District has no fiduciary funds.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In the government-wide statement of net position and the statement of activities, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Proprietary fund equity is classified as net position.

All governmental funds are accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period. Their 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 (within 60 days) to be available to finance the expenditures accrued for the reporting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service payments (principal and interest) unpaid vacation, compensatory time, and claims and judgments are recorded only when payment is due.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds 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 are 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 nonexchange 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 nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The District reports the following major governmental funds:

The **General Fund** is the primary operating fund. It accounts for and reports all financial resources of the general government, except those not accounted for and reported in another fund.

The **Menifee Landscape Maintenance District Special Revenue Fund** accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for the administration and maintenance of the improvements within the legal boundaries of MLMD.

The **Menifee South Landscape Maintenance District Special Revenue Fund** accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for the administration and maintenance of the improvements within the legal boundaries of MSLMD.

The **French Valley Landscape Maintenance District Special Revenue Fund** accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for the administration and maintenance of the improvements within the legal boundaries of FVLMD.

The **Capital Projects Fund** accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The District reports the following major proprietary fund:

The **Golf Fund** accounts for operation and maintenance of the District's GC, which is funded by user charges.

The District's fund structure also includes nonmajor special revenue funds that are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

Amounts reported as program revenues include (1) fees and charges to customers, applicants, and citizens; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes. Program revenues and expenditures are classified by function. Each function is defined as a major department with a department head and separate budget.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for golf services. Operating expenses for proprietary funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d. New Accounting Pronouncements

**GASB Current-Year Standards**

GASB Statement No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016, and did not impact the District.

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, and did not impact the District.

GASB Statement No. 77 - *Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 79 - *Certain External Investment Pools and Pool Participants*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the District.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. New Accounting Pronouncements (Continued)

**GASB Pending Accounting Standards**

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.

GASB Statement No. 81 - *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016.

GASB Statement No. 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.

GASB Statement No. 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.

GASB Statement No. 87 - *Leases*, effective for periods beginning after December 15, 2019.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 90 days or less.

f. Investments

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as revenues from use of money and property. Revenues from use of money and property include interest earnings, any gains or losses realized upon liquidation, maturity, or sale of investments. There are no significant differences between fair value and cost at June 30, 2017.

The District pools investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as investments. Investment income earned by the pooled investments is allocated to the various funds on a quarterly basis based on each fund's average cash and investment balance.

g. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/due from other funds."

Management estimates all receivables at June 30, 2017, to be collectable, as any receivables deemed uncollectable have been written off.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Compensated Absences

Vacation pay is payable to employees at the time used or upon termination of employment. In the government-wide financial statements, the cost of vacation pay is recorded as a liability when incurred. Compensated absences are expected to be paid primarily by the general fund.

i. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2017, in the opinion of the District's counsel, the District had no material claims that would require loss provision in the financial statements, including losses for claims that are incurred but not reported. Small-dollar claims and judgments are recorded as expenditures when paid, if any.

j. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the governmental entities based on complex formulas. Accordingly, the District accrues only those taxes that are received within 60 days after year-end.

| | |
|---|---|
| Lien Date | January 1 |
| Levy Date | July 1 |
| Due Dates | November 1 and February 1 |
| Delinquent Dates | December 11 and April 11 |

k. Capital Assets

The District's capital assets that have an estimated useful life greater than one year are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Construction-in-progress costs are capitalized and transferred to their respective fixed asset category upon completion of the project. The District's policy has set the capitalization threshold for reporting capital assets as follows:

| | |
|---|---|
| Buildings | $50,000 |
| Improvements other than buildings | 25,000 |
| Equipment (except vehicles) | 10,000 |
| Vehicles | 5,000 |

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

| | |
|---|---|
| Buildings | 50 years |
| Improvements other than buildings | 25 years |
| Equipment and vehicles | 5-20 years |

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. COBRA Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health-care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the District under this program, and there were no participants in the program as of June 30, 2017.

m. Restricted Assets

Certain current liabilities have been classified as current liabilities payable from restricted assets, as they will be funded from restricted assets.

n. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions for employer contributions made after the measurement date of the net pension liability.

- Deferred outflows related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employee that are provided with pensions through the plans.

- Deferred outflows related to pensions for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

- Deferred outflows from pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that qualify for reporting in this category:

- Deferred inflows related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employee that are provided with pensions through the plans.

- Deferred inflows from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Deferred Outflows/Inflows of Resources (Continued)

- Deferred inflows related to pensions for changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

o. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plan's 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 due and payable in accordance with the benefit terms. Investments are reported at fair value.

p. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2017, are reported in the accompanying basic financial statements as follows:

| | Total |
|---|---|
| Statement of Net Position: | |
| Current Assets: | |
| Cash and investments | $ 15,353,581 |
| Restricted cash and cash equivalents | 4,181,411 |
| Total Cash and Investments | $ 19,534,992 |

Cash and investments at June 30, 2017, consisted of the following:

| | |
|---|---|
| Deposits with financial institutions | $ 18,768,349 |
| Cash on hand | 770 |
| Investments | 765,873 |
| Total Cash and Investments | $ 19,534,992 |

2. CASH AND INVESTMENTS (Continued)

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 (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Amount or Percentage Allowed | Maximum Investment in One Issuer |
|---|---|---|---|
| US Treasury Bills, Bonds and Notes | 5 years | None | None |
| US Government-Sponsored Entities | 5 years | None | None |
| Banker's Acceptance Notes | 180 days | 40% | None |
| State of California Notes or Bonds | 5 years | None | None |
| Repurchase Agreements | 1 year | None | None |
| Riverside County Investment Pool | N/A | None | None |
| Medium-Term Corporate Notes | 5 years | 30% | 30% |
| Commercial Paper | 270 days | 25% | 20% |
| Local Agency Investment Fund | N/A | None | None |
| Money Market Mutual Funds | N/A | 20% | 20% |

N/A = Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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 purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

| | | Remaining Maturity (in Months) | | |
|---|---|---|---|---|
| Investment Type | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months |
| Local Agency Investment Fund | $ 482,961 | $ 482,961 | $ - | $ - |
| Riverside County Investment Pool | 282,912 | 282,912 | - | - |
| Total | $ 765,873 | $ 765,873 | $ - | $ - |

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

| Investment Type | | Minimum Legal Rating | Not Required To Be Rated | AAA | Not Rated |
|---|---|---|---|---|---|
| Local Agency Investment Fund | $ 482,961 | N/A | $ - | $ - | $ 482,961 |
| Riverside County Investment Pool | 282,912 | N/A | - | 282,912 | - |
| Total | $ 765,873 | | $ - | $ 282,912 | $ 482,961 |

N/A = Not Applicable

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. As of and during the year ended June 30, 2017, the District had no investments in any one issuer (other than US Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total District investments.

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 the 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 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% 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. As of June 30, 2017, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

2. CASH AND INVESTMENTS (Continued)

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investments in the Riverside County Investment Pool and Local Agency Investment Fund are not subject to the fair value hierarchy.

3. LONG-TERM DEBT

A summary of changes in the long-term debt of the District for the year ended June 30, 2017, is as follows:

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| EMWD Retrofit Loan | $ 123,635 | $ - | $ 48,355 | $ 75,280 | $ 49,613 |
| 2012 Financing Agreement | 721,789 | - | 721,789 | - | - |
| Compensated Absences | 127,429 | 15,699 | - | 143,128 | 53,999 |
| Total | $ 972,853 | $ 15,699 | $ 770,144 | $ 218,408 | $ 103,612 |

As of June 30, 2017, there was no long-term debt outstanding for the business-type activities other than the loan from the general fund (see note 9b).

| | |
|---|---|
| Compensated Absences: | |
| Unpaid vacation leave | $ 143,128 |
| Eastern Municipal Water District Retrofit Loan: | |
| On September 26, 2013, the District entered into an agreement with Eastern Municipal Water District to aid in financing the reconstruction of the Wheatfield Park from using potable water to recycled water. The principal amount not to exceed $192,500 will be paid off over a 10-year period with an interest rate at the greater of 3% or the prime rate. | 75,280 |
| Total Long-Term Debt | $ 218,408 |

There is no amortization schedule for the Eastern Municipal Water District Retrofit Loan, as loan repayments are not consistent.

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2017, was as follows:

| | Balance June, 30, 2016 | Additions | Deletions & Completed Construction | Balance June 30, 2017 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital Assets, Not Depreciated: | | | | |
| Land | $ 12,917,575 | $ - | $ - | $ 12,917,575 |
| Historical automobile | 22,900 | - | - | 22,900 |
| Construction in progress | 65,815 | 1,941,454 | 775,299 | 1,231,970 |
| Total Capital Assets, Not Depreciated | 13,006,290 | 1,941,454 | 775,299 | 14,172,445 |
| Capital Assets, Being Depreciated: | | | | |
| Building and improvements | 59,827,425 | 893,944 | - | 60,721,369 |
| Equipment | 208,017 | - | - | 208,017 |
| Vehicles | 345,897 | - | - | 345,897 |
| Subtotal | 60,381,339 | 893,944 | - | 61,275,283 |
| Less Accumulated Depreciation For: | | | | |
| Building and improvements | (16,625,251) | (1,722,689) | - | (18,347,940) |
| Equipment | (187,739) | (4,790) | - | (192,529) |
| Vehicles | (302,379) | (12,074) | - | (314,453) |
| Total Accumulated Depreciation | (17,115,369) | (1,739,553) | - | (18,854,922) |
| Net Capital Assets, Being Depreciated | 43,265,970 | (845,609) | - | 42,420,361 |
| Net Capital Assets | $ 56,272,260 | $ 1,095,845 | $ 775,299 | $ 56,592,806 |

4. CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2017, was as follows:

| | Balance June, 30, 2016 | Additions | Deletions & Completed Construction | Balance June 30, 2017 |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital Assets, Not Depreciated: | | | | |
| Land | $ 269,364 | $ - | $ - | $ 269,364 |
| Total Capital Assets, Not Depreciated | 269,364 | - | - | 269,364 |
| Capital Assets, Being Depreciated: | | | | |
| Building and improvements | 795,299 | - | - | 795,299 |
| Equipment | 50,743 | 9,990 | - | 60,733 |
| Subtotal | 846,042 | 9,990 | - | 856,032 |
| Less Accumulated Depreciation For: | | | | |
| Building and improvements | (98,704) | (26,507) | - | (125,211) |
| Equipment | (18,514) | (5,743) | - | (24,257) |
| Total Accumulated Depreciation | (117,218) | (32,250) | - | (149,468) |
| Net Capital Assets, Being Depreciated | 728,824 | (22,260) | - | 706,564 |
| Net Capital Assets | $ 998,188 | $ (22,260) | $ - | $ 975,928 |

Depreciation expense was charged to functions/programs of the District as follows:

| | |
|---|---|
| Governmental Activities: | |
| General government | $ 31,040 |
| Parks and recreation | 1,707,325 |
| Public works - landscape maintenance | 1,188 |
| Total Depreciation Expense - Governmental Activities | $ 1,739,553 |
| | |
| Business-type Activities: | |
| Golf | $ 32,250 |
| Total Depreciation Expense - Business-Type Activities | $ 32,250 |

5. INSURANCE JOINT POWERS AGENCY

The District is a member of the California Association for Park and Recreation Indemnity (CAPRI), a joint powers agency composed of California Special Districts. Each member District pays for its proportionate share of its individually contracted insurance coverage. The District is insured against claims and judgments for public liability and workers' compensation with insurance coverage as follows:

| | Insurance per Occurrence | Excess Coverage per Occurrence over Insurance Retention |
|---|---|---|
| General liability (including Automobile) | $ 1,000,000 | $ 24,000,000 |
| Public Officials and Employee | 1,000,000 | 24,000,000 |
| Workers' Compensation | 350,000 | State Statutory Limits |

Under the terms of the District's agreement, CAPRI acts as servicing agent in administering the workers' compensation claims program. Settled claims have not exceeded any of the District's coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the year ended June 30, 2017. The District's insurance coverage with CAPRI also includes general liability (casualty), automotive, property, and excess umbrella liability. There is no deductible on the general and automobile liability insurance or workers' compensation. There is a $5,000 deductible for employment liability claims.

The District has an all-risk property loss coverage including boiler and machinery coverage, which has a limit of $1,000,000,000 per occurrence shared by the membership with an excess limit of $100,000,000. There is a $2,000 deductible per occurrence payable by the District.

In addition, the District has flood and earthquake insurance coverage with an annual aggregate limit of $10,000,000 and $5,000,000, respectively. The deductible for all loss or damage arising from the risk of flood is $20,000. The deductible for all loss or damage arising from the risk of an earthquake is $50,000 per occurrence or 5% of the value of the building, contents, and/or structure damaged, whichever is greater.

6. PENSION PLANS

a. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's 2.5% at 55 (Tier 1 Miscellaneous Plan), the 2.0% at 60 (Tier 2 Miscellaneous Plan), and 2.0% at 62 (California Public Employees' Pension Reform Act (PEPRA) Miscellaneous Plan) employee pension plans, which are cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50-62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

6. PENSION PLANS (Continued)

a. General Information about the Pension Plans (Continued)

The plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | Miscellaneous | | PEPRA |
|---|---|---|---|
| | Tier 1 Plan | Tier 2 Plan | Plan |
| Benefit formula | 2.5%@55 | 2%@60 | 2%@62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50-55 | 50-63 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 2.000% to 2.500% | 1.092% to 2.418% | 1.000% to 2.500% |
| Required employee contribution rates | 8.00% | 7.00% | 6.25% |
| Required employer contribution rates | | | |
| Normal cost rate | 10.069% | 7.159% | 6.555% |
| Payment of unfunded liability | $ 168,196 | $ 44 | $ 73 |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through CalPERS's 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. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the net pension liability of all plans as follows:

| | Proportionate Share of Net Pension Liability |
|---|---|
| Miscellaneous Plans | $ 3,459,147 |

The District's net pension liability for each plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the plans is measured as of June 30, 2016, and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

6. PENSION PLANS (Continued)

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District's proportionate share of the net pension liability for all Plans as of June 30, 2015 and 2016, was as follows:

| | Miscellaneous |
|---|---|
| Proportion - June 30, 2015 | 0.10310% |
| Proportion - June 30, 2016 | 0.09958% |
| Change - Increase (Decrease) | -0.00352% |

For the year ended June 30, 2017, the District recognized pension expense of $386,551. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 379,956 | $ - |
| Differences between actual and expected experience | 11,718 | (2,685) |
| Change in assumptions | - | (110,868) |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 313,575 | (34,599) |
| Net differences between projected and actual earnings on plan investments | 577,029 | - |
| Total | $ 1,282,278 | $ (148,152) |

An amount of $379,956 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 year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2018 | $ 180,458 |
| 2019 | 162,664 |
| 2020 | 261,590 |
| 2021 | 149,458 |
| 2022 | - |
| Thereafter | - |
| | $ 754,170 |

6. PENSION PLANS (Continued)

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015, total pension liability determined in the June 30, 2015, actuarial accounting valuation. The June 30, 2016, total pension liability was based on the following actuarial methods and assumptions:

| | Miscellaneous |
|---|---|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Salary Increases | (1) |
| Mortality Rate Table | (2) |
| Post Retirement Benefit Increase | (3) |

(1) Varies by entry and service.

(2) The probabilities of mortality are derived using CalPERS's membership data for all funds. The mortality table used was developed based on CalPERS's specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

(3) Contract cost of living adjustments up to 2.75% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial Experience Study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

6. PENSION PLANS (Continued)

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the 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 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 (PERF) cash flows. Taking into account historical returns of all PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11-60 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 for each PERF fund. 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.

The table below reflects the 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. The target allocation shown was adopted by CalPERS Board of Directors effective on July 1, 2015.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 (a) | Real Return Years 11+ (b) |
|---|---|---|---|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 20.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 1.00% | -0.55% | -1.05% |
| Total | 100.00% | | |

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

6. PENSION PLANS (Continued)

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

The following presents the District's proportionate share of the net pension liability for all plans calculated using the discount rate for each 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 one percentage point lower or one percentage point higher than the current rate:

| | Miscellaneous Plan |
|---|---|
| 1% Decrease | 6.65% |
| Net Pension Liability | $ 5,108,281 |
| | |
| Current Discount Rate | 7.65% |
| Net Pension Liability | $ 3,459,147 |
| | |
| 1% Increase | 8.65% |
| Net Pension Liability | $ 2,096,221 |

Pension Plan Fiduciary Net Position

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

Subsequent Events

In December 2016, CalPERS Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019 and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017, measurement date reports and will result in an increase to an employer's total pension liabilities.

c. Payable to the Pension Plan

At June 30, 2017, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

## 7. OTHER POST-EMPLOYMENT BENEFITS

### Plan Description

The District's defined benefit post-employment health-care plan (DPHP) provides medical benefits to eligible retired District employees and some beneficiaries. The District DPHP has two classifications of employees for purposes of determining benefits. Specifically, for employees classified as administrative staff, the District provides health insurance for its retired employees and their dependent spouses (if married and covered on the District's plan at time of retirement) or survivors in accordance with board resolutions. For employees classified as miscellaneous/clerical, the District provides health insurance for its retired employees. Medical coverage is provided for retired employees who are age 50 or over and who have a minimum of five years' service with CalPERS system as long as such individuals retire from the District within 120 days of separation from the employment with the District and receive a monthly retirement allowance.

The District pays 100% of all premiums of the plan members under the health benefit plan administered by CalPERS in which the individual is able to select, on an annual basis, an insurance carrier from a number of insurance carriers. Medical coverage is provided for the surviving spouse of retires employees and the surviving spouse of active employees who upon death had attained age 50 and who had a minimum of five years' service with CalPERS in addition to satisfying the requirement to retire within 120 days of separation. The District will pay 100% of the premiums charged until the surviving spouse remarries, becomes enrolled under another group health plan, or cancels coverage. When the plan member is eligible for Medicare, the District pays 100% of the Medicare supplemental. The plan does not provide a publicly available financial report.

### Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. DPHP members receiving benefits contribute based on their selected plan options. The District makes all contributions of the plan members. The plan is financed on a pay-as-you-go basis.

The District's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

### Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

| | |
|---|---|
| Annual required contribution | $ 275,367 |
| Interest on net OPEB obligation | 45,317 |
| Adjustment to annual required contribution | (65,518) |
| Annual OPEB cost | 255,166 |
| Contributions made | (75,883) |
| Increase in net OPEB obligation | 179,283 |
| Net OPEB obligation - beginning of year | 1,132,942 |
| Net OPEB obligation - end of year | $ 1,312,225 |

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2017, 2016, and 2015 were as follows:

Three-Year Trend Information for
California Employers' Benefit Trust (CERBT) Fund

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/15 | $ 233,304 | 20.05% | $ 945,623 |
| 6/30/16 | 258,507 | 21.15% | 1,132,942 |
| 6/30/17 | 255,166 | 25.68% | 1,312,225 |

Funded Status and Funding Progress

The funded status of the plan as of the July 1, 2015, which is the most recent actuarial valuation, is as follows:

| | | |
|---|---|---|
| Actuarial Accrued Liability (AAL) | $ | 2,397,645 |
| Actuarial Value of Plan Assets | $ | - |
| Unfunded Actuarial Accrued Liability (UAAL) | $ | 2,397,645 |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | | 0.0% |
| Covered Payroll (Active Plan Members) | $ | 3,227,259 |
| UAAL as a Percentage of Covered Payroll | | 74.29% |

Actuarial Methods and Assumptions

The required contribution was determined as part of the July 1, 2015, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included a 4.00% investment rate of return, net of administrative expenses. The District's projected health-care cost trend rate is 5.00% per annum graded down in approximately 1% increments at an ultimate rate of 5.00%. The District's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over an open 30-year period. The District's projected salary increase was 5%. Inflation was projected at 2%. The average remaining amortization period at July 1, 2015, was 30 years. The asset valuation method is using a 15-year smoothed market value basis.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial assets, consistent with the long-term perspective of the calculations. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

## 8. COMMITMENTS AND CONTINGENT LIABILITIES

Grant Audit Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. District management believes disallowances, if any, will be immaterial.

Litigation

At June 30, 2017, the District is a defendant in certain legal actions in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District's financial position.

## 9. INTERFUND TRANSACTIONS

a. Individual interfund receivables and payables at June 30, 2017, were as follows:

| | Due from Other Funds | Due to Other Funds |
|---|---|---|
| General Fund from Echo Hills Fund | $ 121,000 | $ - |
| General Fund from other governmental funds - Wheatfield Landscape Maintenance District Special Revenue Fund | 67,900 | - |
| Total General Fund | 188,900 | - |
| Echo Hills Fund from General Fund | - | 121,000 |
| Other governmental funds - Wheatfield Landscape Maintenance District Special Revenue Fund from General Fund | - | 67,900 |
| Total All Funds | $ 188,900 | $ 188,900 |

The above interfund transfers were for short-term borrowings for operations.

b. Advance to Golf Fund

The golf fund was issued a five-year loan by the capital projects fund in June 2013 of up to $1,000,000 for the funding of various capital projects to the Echo Hills Golf Course. On June 15, 2015, the Board of Directors approved the issuance of an additional $85,000 loan from the general fund to the Echo Hills enterprise fund. The loan will be financed by user charges at Echo Hills Golf Course and repayments are scheduled to start by June 30, 2017. This is reflected on the statement of net position as an internal balance. The balance as of June 30, 2017, is $1,085,000. There is currently no repayment schedule for this loan.

## 10. INTEREST EXPENSE

Interest expense during the fiscal year ended June 30, 2017, was $37,839.

11. INDIVIDUAL FUND DISCLOSURES

The following funds contained deficit fund balances/net position as of June 30, 2017:

| | Deficit Amount |
|---|---|
| Other Governmental Special Revenue Funds: | |
| Wheatfield Landscape Maintenance District | $ 68,050 |
| Echo Hills Enterprise Fund | 291,391 |

These fund balance deficits will be eliminated by excess revenues over expenditures.

12. COMMUNITY CENTER

On May 17, 2011, the District entered into a lease agreement with the County of Riverside (County). The agreement states that the County will convey its ownership interest in a 12-acre community and childcare center (Center) located at 25625 Briggs Road, Menifee, California, on real property currently owned by the County to the District after a 49-year lease period. The agreement calls for an annual payment of $1 per year of the lease. The District has the option to purchase the Center for $1 at the end of the lease. The District agrees to operate and maintain the Center's community center, childcare facility, and park area. Operation and maintenance will be at the sole cost and expense of the District. In the event the Center is abandoned or no longer used in accordance with the agreement, the Center will revert back to the County unless alternate use is approved by the County. This lease agreement was extended for an additional three years and is scheduled to expire on May 17, 2020.

13. ELLER PARK

On April 6, 2010, the Park District entered into an agreement with the County for the maintenance and operation of Eller Park located at 25926 Antelope Road in Menifee. All operations at the park will be managed by the District and any and all fees collected for the services and programs shall be retained by the District. This five-acre park has a wide variety of amenities, including a lighted ball field, outdoor basketball courts, running/jogging track, playground equipment, and restroom facilities. Eller Park will service the residents in the Romoland, Homeland, and Menifee area. In the event the park is abandoned or no longer used in accordance with the agreement, the park will revert back to the County unless alternate use is approved by the County. The agreement states that if and when a notice of completion is approved by the County's Board of Supervisors for a Caltrans connection, the County will convey its ownership interest in the property to the District. This property has not been conveyed to the District as of June 30, 2017.

14. RESTATEMENT OF BEGINNING FUND BALANCES

The fund balances at July 1, 2016 of the Winchester/Hunter Landscape Maintenance District Special Revenue Fund and Winchester CFD Special Revenue Fund were increased and decreased by $48,076, respectively, to record prior year expenditures in the correct fund.

15. SUBSEQUENT EVENTS

Events occurring after June 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosures as of March 8, 2018, which is the date these financial statements were available to be issued.

# REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

| Fiscal Year Ended | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| Measurement date | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's proportion of the net pension liability | 0.99580% | 0.10310% | 0.08889% |
| Plan's proportionate share of the net pension liability | $ 3,459,147 | $ 2,828,422 | $ 2,196,948 |
| Plan's covered - employee payroll | $ 2,202,481 | $ 2,080,642 | $ 2,254,756 |
| Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 157.06% | 135.94% | 97.44% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 74.06% | 75.27% | 80.13% |
| Plan's proportionate share of aggregate employer contributions | $ 327,337 | $ 329,468 | $ 241,879 |

*Notes to Schedule:*

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
There were no changes in discount rates.

* - Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

| Fiscal Year Ended | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 379,956 | $ 329,674 | $ 292,330 |
| Contributions in relation to the actuarially determined contributions | 379,956 | 329,674 | 292,330 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered - employee payroll | $ 2,132,386 | $ 2,202,481 | $ 2,080,642 |
| Contributions as a percentage of covered - employee payroll | 17.82% | 14.97% | 14.05% |

Notes to Schedule:

| | |
|---|---|
| Valuation Date | 6/30/2015 |

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---|---|
| Cost-sharing employers | Entry age normal cost method |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 30-year fixed with 5-year ramp up at beginning and 5-year ramp down at the end of the amortization period. Changes in liability for plan amendments, changes in actuarial methodology and assumptions are amortized over a 20-year period. |
| Asset valuation method | 15-year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.30% to 14.20% depending on age, service, and type of employment, including inflation |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |
| Retirement age | 50 years (2.5%@55 and 2%@60), 52 years (2%@62) |
| Mortality | Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board of Directors. For purposes of the post-retirement mortality rates, those rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries. For more details on this table, refer to the 2014 Experience Study report. |

* - Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.

BUDGETARY COMPARISON SCHEDULE, GENERAL FUND
For the year ended June 30, 2017

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| FUND BALANCE, JULY 1 | $ 3,995,290 | $ 3,995,290 | $ 3,995,290 | $ - |
| RESOURCES (INFLOWS): | | | | |
| Taxes | 1,422,500 | 1,422,500 | 1,542,041 | 119,541 |
| Revenues from use of money and property | 385,000 | 385,000 | 323,014 | (61,986) |
| Intergovernmental revenues | 560,000 | 560,000 | 936,725 | 376,725 |
| Charges for services | 2,142,500 | 2,142,500 | 1,879,030 | (263,470) |
| Other revenues | 1,350,200 | 1,350,200 | 2,645,832 | 1,295,632 |
| Amount Available for Appropriations | 5,860,200 | 5,860,200 | 7,326,642 | 1,466,442 |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| General government | 783,209 | 783,209 | 1,132,294 | (349,085) |
| Parks and recreation | 2,745,437 | 2,745,437 | 2,715,112 | 30,325 |
| Public works - landscape maintenance | 2,058,365 | 2,058,365 | 2,024,567 | 33,798 |
| Debt service - principal | 114,223 | 114,223 | 721,789 | (607,566) |
| Debt service - interest | 34,330 | 34,330 | 31,909 | 2,421 |
| Total Charges to Appropriations | 5,735,564 | 5,735,564 | 6,625,671 | (890,107) |
| NET CHANGE IN FUND BALANCE | 124,636 | 124,636 | 700,971 | 576,335 |
| FUND BALANCE, JUNE 30 | $ 4,119,926 | $ 4,119,926 | $ 4,696,261 | $ 576,335 |

BUDGETARY COMPARISON SCHEDULE, MENIFEE LANDSCAPE MAINTENANCE DISTRICT
SPECIAL REVENUE FUND
For the year ended June 30, 2017

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| FUND BALANCE, JULY 1 | $ 1,924,091 | $ 1,924,091 | $ 1,924,091 | $ - |
| RESOURCES (INFLOWS): | | | | |
| Revenues from use of money and property | 19,000 | 19,000 | 25,128 | 6,128 |
| Charges for services | 2,230,000 | 2,230,000 | 2,180,012 | (49,988) |
| Other revenues | 1,000 | 1,000 | 157,192 | 156,192 |
| Amount Available for Appropriations | 2,250,000 | 2,250,000 | 2,362,332 | 112,332 |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| Parks and recreation | 421,770 | 421,770 | 316,867 | 104,903 |
| Public works - landscape maintenance | 1,723,146 | 1,723,146 | 2,425,261 | (702,115) |
| Debt service - principal | - | - | 48,355 | (48,355) |
| Debt service - interest | - | - | 3,397 | (3,397) |
| Total Charges to Appropriations | 2,144,916 | 2,144,916 | 2,793,880 | (648,964) |
| NET CHANGE IN FUND BALANCE | 105,084 | 105,084 | (431,548) | (536,632) |
| FUND BALANCE, JUNE 30 | $ 2,029,175 | $ 2,029,175 | $ 1,492,543 | $ (536,632) |

BUDGETARY COMPARISON SCHEDULE, MENIFEE SOUTH LANDSCAPE MAINTENANCE DISTRICT SPECIAL REVENUE FUND
For the year ended June 30, 2017

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| FUND BALANCE, JULY 1 | $ 2,384,922 | $ 2,384,922 | $ 2,384,922 | $ - |
| RESOURCES (INFLOWS): | | | | |
| Revenues from use of money and property | 10,000 | 10,000 | 3,452 | (6,548) |
| Charges for services | 875,000 | 875,000 | 875,321 | 321 |
| Amount Available for Appropriations | 885,000 | 885,000 | 878,773 | (6,227) |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| Public works - landscape maintenance | 885,000 | 885,000 | 846,898 | 38,102 |
| Total Charges to Appropriations | 885,000 | 885,000 | 846,898 | 38,102 |
| NET CHANGE IN FUND BALANCE | - | - | 31,875 | 31,875 |
| FUND BALANCE, JUNE 30 | $ 2,384,922 | $ 2,384,922 | $ 2,416,797 | $ 31,875 |

BUDGETARY COMPARISON SCHEDULE, FRENCH VALLEY LANDSCAPE MAINTENANCE DISTRICT SPECIAL REVENUE FUND
For the year ended June 30, 2017

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| FUND BALANCE, JULY 1 | $ 4,854,062 | $ 4,854,062 | $ 4,854,062 | $ - |
| RESOURCES (INFLOWS): | | | | |
| Revenues from use of money and property | 85,500 | 85,500 | 87,482 | 1,982 |
| Charges for services | 4,210,500 | 4,210,500 | 4,236,551 | 26,051 |
| Other revenues | 4,000 | 4,000 | 9,509 | 5,509 |
| Amount Available for Appropriations | 4,300,000 | 4,300,000 | 4,333,542 | 33,542 |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| Parks and recreation | 902,123 | 902,123 | 295,547 | 606,576 |
| Public works - landscape maintenance | 3,333,500 | 3,333,500 | 4,368,720 | (1,035,220) |
| Total Charges to Appropriations | 4,235,623 | 4,235,623 | 4,664,267 | (428,644) |
| NET CHANGE IN FUND BALANCE | 64,377 | 64,377 | (330,725) | (395,102) |
| FUND BALANCE, JUNE 30 | $ 4,918,439 | $ 4,918,439 | $ 4,523,337 | $ (395,102) |

## 1. BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

1) The annual budget adopted by the Board of Directors provides for the general operation of the District. It includes proposed expenditures and the means of financing them.

2) The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This “appropriated budget” covers substantially all District expenditures, with the exception of debt service on bond issues and capital improvement projects, which expenditures constitute legally authorized “nonappropriated budget.” There were no significant nonbudgeted financial activities. Actual expenditures may exceed budgeted appropriations at the fund level. However, the District’s general manager is authorized to transfer budgeted amounts between individual departments. Budget figures used in the financial statements are the final adjusted amounts, including any amendments to the budget during the year.

3) Formal budgetary integration is employed as a management control device. Appropriations that are encumbered at year-end lapse and then are added to the following year’s budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance. There were no encumbrances at June 30, 2017.

4) Budget information is adopted for general, special revenue, debt service, and capital project funds and presented only for the general fund and major special revenue funds as required supplemental information. The presentation represents original appropriations adjusted for supplemental appropriations, if any, made during the year. Budgets for the general and special revenue funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America.

Schedule of Funding Progress for OPEB

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 7/1/2015 | $ - | $ 2,397,645 | $ 2,397,645 | 0.00% | $ 3,227,259 | 74.29% |
| 7/1/2012 | - | 1,777,079 | 1,777,079 | 0.00% | 3,357,458 | 52.93% |

* GASB Statement No. 45 was implemented prospectively in fiscal year ending June 30, 2010.

## OTHER SUPPLEMENTARY INFORMATION

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Menifee LMD 88-1 CFD | Menifee North Landscape Maintenance District | Wheatfield Landscape Maintenance District | Rivercrest Landscape Maintenance District |
| ASSETS: | | | | |
| Cash and investments (Notes 1 and 2) | $ 5,910 | $ 1,149,612 | $ - | $ 67,726 |
| Accounts receivable | - | 2,660 | - | - |
| Taxes receivable | - | 9,976 | - | 238 |
| Interest receivable | - | 66 | - | - |
| TOTAL ASSETS | $ 5,910 | $ 1,162,314 | $ - | $ 67,964 |
| LIABILITIES: | | | | |
| Accounts payable | $ 227 | $ 50,388 | $ 150 | $ 234 |
| Due to other funds (Note 10) | - | - | 67,900 | |
| Total Liabilities | 227 | 50,388 | 68,050 | 234 |
| FUND BALANCE: | | | | |
| Restricted for: | | | | |
| Parks and recreation | 5,683 | 1,111,926 | - | 67,730 |
| Unassigned | - | - | (68,050) | - |
| Total Fund Balance | 5,683 | 1,111,926 | (68,050) | 67,730 |
| TOTAL LIABILITIES AND FUND BALANCE | $ 5,910 | $ 1,162,314 | $ - | $ 67,964 |

(Continued)

| Winchester/Hunter Landscape Maintenance District | Winchester CFD | French Valley CFD | Total Other Governmental Funds |
|---|---|---|---|
| $ 74,175 | $ 112,925 | $ 657,021 | $ 2,067,369 |
| - | - | - | 2,660 |
| - | - | 2,616 | 12,830 |
| - | - | - | 66 |
| $ 74,175 | $ 112,925 | $ 659,637 | $ 2,082,925 |
| $ 2,389 | $ 803 | $ 9,171 | $ 63,362 |
| - | - | - | 67,900 |
| 2,389 | 803 | 9,171 | 131,262 |
| 71,786 | 112,122 | 650,466 | 2,019,713 |
| - | - | - | (68,050) |
| 71,786 | 112,122 | 650,466 | 1,951,663 |
| $ 74,175 | $ 112,925 | $ 659,637 | $ 2,082,925 |

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2017

| | Menifee LMD 88-1 CFD | Menifee North Landscape Maintenance District | Wheatfield Landscape Maintenance District | Rivercrest Landscape Maintenance District |
|---|---|---|---|---|
| REVENUES: | | | | |
| Revenues from use of money and property | $ - | $ 1,378 | $ - | $ - |
| Charges for services | 14,550 | 1,398,731 | - | 35,905 |
| Other revenues | - | 25,923 | - | - |
| Total Revenues | 14,550 | 1,426,032 | - | 35,905 |
| EXPENDITURES: | | | | |
| Public works - landscape maintenance | 8,867 | 1,493,819 | 8,516 | 17,182 |
| Total Expenditures | 8,867 | 1,493,819 | 8,516 | 17,182 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 5,683 | (67,787) | (8,516) | 18,723 |
| NET CHANGES IN FUND BALANCES | 5,683 | (67,787) | (8,516) | 18,723 |
| FUND BALANCES, July 1, AS RESTATED | - | 1,179,713 | (59,534) | 49,007 |
| FUND BALANCES, June 30 | $ 5,683 | $ 1,111,926 | $ (68,050) | $ 67,730 |

(Continued)

| Winchester/Hunter Landscape Maintenance District | Winchester CFD | French Valley CFD | Total Other Governmental Funds |
|---|---|---|---|
| $ 865 | $ - | $ 476 | $ 2,719 |
| 28,758 | 82,550 | 514,988 | 2,075,482 |
| - | - | - | 25,923 |
| 29,623 | 82,550 | 515,464 | 2,104,124 |
| 35,828 | 19,908 | 244,482 | 1,828,602 |
| 35,828 | 19,908 | 244,482 | 1,828,602 |
| (6,205) | 62,642 | 270,982 | 275,522 |
| (6,205) | 62,642 | 270,982 | 275,522 |
| 77,991 | 49,480 | 379,484 | 1,676,141 |
| | | - | |
| $ 71,786 | $ 112,122 | $ 650,466 | $ 1,951,663 |