VALLEY-WIDE RECREATION AND PARK DISTRICT

ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2018

FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, 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.

2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

Offices located in Orange and San Diego Counties

Emphasis of a Matter

As discussed in Notes 1d and 13 to the financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required retrospective application resulting in a reduction of previously reported net positions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Defined Benefit Pension Plans, the Other Post-employment Benefit Plan - Schedule of Changes in the OPEB liability and Related Ratios and Budgetary Comparison Schedules, 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
April 5, 2019

June 30, 2018

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, 2018. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

- The assets of the District exceeded liabilities at the close of the 2017-2018 the fiscal year by $68,939,558 (net position). Of this amount, $(2,330,173) (unrestricted net position) may not be used to meet ongoing obligations to citizens and creditors, and $56,371,993 is invested in capital assets.

- As of June 30, 2018 the District's governmental funds reported combined fund balances of $21,371,746. $5,374,508 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 $5,471,699 or 95.4% of total general fund expenditures.

- The District has a loan from the Eastern Municipal Water District with a remaining balance of $31,954 at June 30, 2018.

- The district adopted Governmental Accounting Standard Board's Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. Implementation of this required retrospective application resulting in a reduction in the previously reported net positions.

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.

General Fund Budgetary Highlights-See page 54

The final General Fund expenditures at year-end were $295,849 less than the final budget, this is primarily due to the payoff of the Districts capital lease in fiscal year 16-17 of which $124,246 was budgeted in fiscal year 17-18. Actual General Fund revenues compared to the final budget were up $ 287,012; this is due to the increase in property taxes collected and increases in administrative transfers from the Districts new CFD's.

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, 2017 and 2018

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Assets:						
Current and other Assets	$ 21,571,715	$ 22,318,193	$ (1,174,789)	$ (1,202,731)	$ 20,396,926	$ 21,115,462
Capital Assets	56,592,806	55,460,602	975,928	943,345	57,568,734	56,403,947
Total Assets	78,164,521	77,778,795	(198,861)	(259,386)	77,965,660	77,519,409
Deferred Outflows of Resources:						
Pension related	$ 1,236,116	$ 1,284,390	$ 46,162	$ 22,212	$ 1,282,278	$ 1,306,602
OPEB related	89,653	84,094	1,551	1,454	91,204	85,548
Total Deferred Outflows	$ 1,325,769	$ 1,368,484	$ 47,713	$ 23,666	$ 1,373,482	$ 1,392,150
Liabilities:						
Current Liabilities	1,000,316	955,728	8,830	10,062	1,009,146	965,790
Noncurrent	8,039,321	8,749,482	203,906	149,918	8,243,227	8,899,400
Total Liabilities	9,039,637	9,705,210	212,736	159,980	9,252,373	9,865,190
Deferred Inflows of Resources:						
Pension related	$ 142,819	$ 104,995	$ 5,333	$ 1,816	$ 148,152	$ 106,811
Net Position:						
Net investment in capital assets	56,517,526	55,428,648	975,928	943,345	57,493,454	56,371,993
Restricted (Parks & Recreation)	14,836,716	14,897,738	-	-	14,836,716	14,897,738
Unrestricted	(1,046,408)	(989,312)	(1,345,145)	(1,340,861)	(2,391,553)	(2,330,173)
Total Net Position	$ 70,307,834	$ 69,337,074	$ (369,217)	$ (397,516)	$ 69,938,617	$ 68,939,558

The following is a brief explanation for the balance changes of the Condensed Statement of Net Position for the year ending June 30, 2018.

- At the end of the fiscal year 2018, the District shows a negative balance in its unrestricted net position of $ (2,230,173) which will need to be offset in future years. This change is due the adjustments made in the Net OPEB liability of $3,468,804, which is due to the implementation of the GASB 75 reporting.

- The decrease in the net investment in capital assets is due to depreciation expense exceeding the value of 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, 2017 and 2018

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Program Revenues:						
Charges for services	$ 11,408,740	$ 11,740,568	$ 273,990	$ 301,654	$ 11,682,730	$ 12,042,222
Operating grants and contributions	992,121	1,034,572	-	-	992,121	1,034,572
Capital contributions and grants	414,406	65,765	-	-	414,406	65,765
	12,815,267	12,840,905	273,990	301,654	13,089,257	13,142,559
General Revenues:						
Taxes and special assessments	1,559,756	1,630,670	-	-	1,559,756	1,630,670
Investment earnings	450,866	464,365	-	-	450,866	464,365
Miscellaneous	3,213,797	2,054,203	-	-	3,213,797	2,054,203
	5,224,419	4,149,238	-	-	5,224,419	4,149,238
Total Revenue	18,039,686	16,990,143	273,990	301,654	18,313,676	17,291,797
Expenses:						
Recreation and park activities	16,801,854	17,958,652	328,684	329,953	17,130,538	18,288,605
Interest on long-term debt	35,306	2,249	-	-	35,306	2,249
Total Expenses	16,837,160	17,960,901	328,684	329,953	17,165,844	18,290,854
Changes in Net Position	1,202,526	(970,758)	(54,694)	(28,299)	1,147,832	(999,057)
Beginning Net Position	69,105,306	70,307,832	(314,523)	(369,217)	68,790,783	69,938,615
Ending Net Position	$ 70,307,832	$ 69,337,074	$ (369,217)	$ (397,516)	$ 69,938,615	$ 68,939,558

The following is a brief explanation for the balance changes of the Condensed Statement of Activities for the year ending June 30, 2018.

- 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.

June 30, 2018

CAPITAL ASSETS

Capital Assets at Year-End

	Balance at July 01, 2017 Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Balance at June 30, 2018 Net of Accumulated Depreciation
Governmental Activities:					
Land	$ 12,917,575	$ -	$ -	$ -	$ 12,917,575
Historical automobile	22,900	-	-	-	22,900
Construction in progress	1,231,970	184,770	(815,068)	-	601,672
Building and improvements	42,373,429	1,186,722	-	(1,755,867)	41,804,284
Equipment	15,488	58,690	-	(7,373)	66,805
Vehicles	31,444	27,438	-	(11,516)	47,366
	$ 56,592,806	$ 1,457,620	$ (815,068)	$ (1,774,756)	$ 55,460,602
Business-type Activities:					
Land	$ 269,364	$ -	$ -	$ -	$ 269,364
Building and improvements	670,088	-	-	(26,510)	643,578
Equipment	36,476	-	-	(6,073)	30,403
	$ 975,928	$ -	$ -	$ (32,583)	$ 943,345

As of June 30, 2018 the District's investment in capital assets net of accumulated depreciation was $55,460,602 and $943,345 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 2017-2018 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 2018-2019 includes the completion of Jim Venable 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 $21.4 million, which is an increase of $1.1 million from the $20.3 million at June 30, 2017.

- The general fund had a positive fund balance change of $775,438 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 capital projects fund had a positive fund balance change of $196,277 due to the collection of Quimby Fees and donations received during the year exceeding Capital Outlay.

LONG – TERM DEBT

As of June 30, 2018 the District had $8,899,400 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 7), 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 2018-2019 fiscal year will continue to prove to be a challenge. The District anticipates a minimal increase in tax revenues as housing values slowly 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 92581.

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and investments (Notes 1 and 2)	$ 16,105,419	$ 443	$ 16,105,862
Accounts receivable	91,871	13,750	105,621
Taxes receivable	229,685	-	229,685
Intergovernmental receivable	270,350	-	270,350
Internal balances	1,224,000	(1,224,000)	-
Interest receivable	6,027	-	6,027
Inventories	-	7,076	7,076
Prepaid items	14,500	-	14,500
Restricted assets:			
Cash and investments (Notes 1 and 2)	4,373,508	-	4,373,508
Interest receivable	2,833	-	2,833
Total Current Assets	22,318,193	(1,202,731)	21,115,462
Noncurrent Assets:			
Capital Assets (Notes 1 and 4):			
Not being depreciated	13,542,147	269,364	13,811,511
Capital assets, net of depreciation	41,918,455	673,981	42,592,436
Total Capital Assets	55,460,602	943,345	56,403,947
TOTAL ASSETS	77,778,795	(259,386)	77,519,409
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts from pension	1,284,390	22,212	1,306,602
Deferred amounts from OPEB	84,094	1,454	85,548
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,368,484	23,666	1,306,602
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	854,328	10,062	864,390
Long-term debt, due within one year (Note 3)	31,954	-	31,954
Current portion of compensated absences	69,446	-	69,446
Total Current Liabilities	955,728	10,062	965,790
Noncurrent Liabilities:			
Compensated absences (Note 3)	80,670	-	80,670
Net pension liability	3,887,783	67,235	3,955,018
Net OPEB liability	4,781,029	82,683	4,863,712
Total Noncurrent Liabilities	8,749,482	149,918	8,899,400
TOTAL LIABILITIES	9,705,210	159,980	9,865,190
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension	104,995	1,816	106,811
TOTAL DEFERRED INFLOWS OF RESOURCES	104,995	1,816	106,811
NET POSITION:			
Net investment in capital assets	55,428,648	943,345	56,371,993
Restricted for parks and recreation	14,897,738	-	14,897,738
Unrestricted	(989,312)	(1,340,861)	(2,330,173)
TOTAL NET POSITION (DEFICIT)	$ 69,337,074	$ (397,516)	$ 68,939,558

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 1,182,808	$ -	$ 1,034,572	$ -
Parks and recreation	5,319,281	1,012,400	-	65,765
Public works - landscape maintenance	11,456,563	10,728,168	-	-
Interest on long-term debt	2,249	-	-	-
Total governmental activities	17,960,901	11,740,568	1,034,572	65,765
Business-Type Activities:				
Golf	329,953	301,654	-	-
Total business-type activities	329,953	301,654	-	-
Total primary government	$ 18,290,854	$ 12,042,222	$ 1,034,572	$ 65,765

(Continued)

GENERAL REVENUES:
Taxes
Investment earnings
In lieu fees
Other revenues

Total General Revenues

CHANGES IN NET POSITION

NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED

NET POSITION (DEFICIT) - END OF YEAR

(Continued)

Net (Expense)/Revenue and Changes in Net Position — Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (148,236)	$ -	$ (148,236)
(4,241,116)	-	(4,241,116)
(728,395)	-	(728,395)
(2,249)	-	(2,249)
(5,119,996)	-	(5,119,996)
-	(28,299)	(28,299)
-	(28,299)	(28,299)
(5,119,996)	(28,299)	(5,148,295)
1,630,670	-	1,630,670
464,365	-	464,365
343,769	-	343,769
1,710,434	-	1,710,434
4,149,238	-	4,149,238
(970,758)	(28,299)	(999,057)
70,307,832	(369,217)	69,938,615
$ 69,337,074	$ (397,516)	$ 68,939,558

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	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)	$ 5,187,998	$ 1,317,975	$ 2,467,516	$ 4,874,311
Restricted cash (Notes 1 and 2)	-	-	-	-
Accounts receivable	64,657	11,827	-	15,387
Taxes receivable	65,403	20,039	6,416	31,038
Intergovernmental receivable	233,411	8,742	-	23,402
Due from other funds (Note 9)	219,964	-	-	-
Interest receivable	3,293	729	496	1,371
Prepaid items	14,500	-	-	-
Advance to golf fund (Note 9)	-	-	-	-
Total Assets	$ 5,789,226	$ 1,359,312	$ 2,474,428	$ 4,945,509
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	$ 317,527	$ 114,132	40,820	252,704
Due to other funds (Note 9)	-	-	-	-
Total Liabilities	317,527	114,132	40,820	252,704
FUND BALANCES:				
Nonspendable:				
Prepaid items	14,500	-	-	-
Advances	-	-	-	-
Restricted for:				
Parks and recreation	-	1,245,180	2,433,608	4,692,805
Unassigned	5,457,199	-	-	-
Total Fund Balances	5,471,699	1,245,180	2,433,608	4,692,805
TOTAL LIABILITIES AND FUND BALANCES	$ 5,789,226	$ 1,359,312	$ 2,474,428	$ 4,945,509

(Continued)

(Continued)

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 2,257,619	$ 16,105,419
4,373,508	-	4,373,508
-	-	91,871
-	14,670	137,566
-	4,795	270,350
-	-	219,964
2,833	138	8,860
-	-	14,500
1,085,000	-	1,085,000
$ 5,461,341	$ 2,277,222	$ 22,307,038
13,479	$ 115,666	$ 854,328
-	80,964	80,964
13,479	196,630	935,292
-	-	14,500
1,085,000	-	1,085,000
4,362,862	2,163,283	14,897,738
-	(82,691)	5,374,508
5,447,862	2,080,592	21,371,746
$ 5,461,341	$ 2,277,222	$ 22,307,038

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

		Amount
Fund balances for governmental funds		$ 21,371,746
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 availability period		92,119
Capital assets used in governmental funds are not financial resources and therefore are not reported in governmental funds (net of accumulated depreciation).		55,460,602
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	(31,954)	
Compensated absences	(150,116)	(182,070)
OPEB 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 OPEB 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	84,094	
Net OPEB liability	(4,781,029)	(4,696,935)
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 pension 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	1,284,390	
Deferred inflows of resources	(104,995)	
Net pension liability	(3,887,783)	(2,708,388)
Net position of governmental activities		$ 69,337,074

See accompanying notes to the financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2018

		Special Revenue Funds		
	General Fund	Menifee Landscape Maintenance District	Menifee South Landscape Maintenance District	French Valley Landscape Maintenance District
REVENUES:				
Taxes	$ 1,663,634	$ -	$ -	$ -
Revenues from use of money and property	312,633	41,280	4,672	93,558
Intergovernmental revenues	1,034,572	-	-	-
Charges for services	1,848,252	2,224,480	889,941	4,367,829
In-lieu fees	-	-	-	-
Other revenues	1,652,071	1,880	-	247,056
Total Revenues	6,511,162	2,267,640	894,613	4,708,443
EXPENDITURES:				
General government	942,736	4,494	-	-
Parks and recreation	2,853,770	344,064	-	358,535
Public works - landscape maintenance	1,885,869	1,842,541	877,802	4,069,442
Capital outlay	53,349	278,328	-	110,998
Debt Service:				
Principal	-	43,327	-	-
Interest and fiscal charges	-	2,249	-	-
Total Expenditures	5,735,724	2,515,003	877,802	4,538,975
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	775,438	(247,363)	16,811	169,468
NET CHANGES IN FUND BALANCES	775,438	(247,363)	16,811	169,468
FUND BALANCES, JULY 1	4,696,261	1,492,543	2,416,797	4,523,337
FUND BALANCES, JUNE 30	$ 5,471,699	$ 1,245,180	$ 2,433,608	$ 4,692,805

(Continued)

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 1,663,634
9,587	2,635	464,365
-	-	1,034,572
-	2,410,066	11,740,568
343,769	-	343,769
65,765	27,167	1,993,939
419,121	2,439,868	17,240,847
-	-	947,230
-	-	3,556,369
-	2,310,939	10,986,593
222,844	-	665,519
-	-	43,327
-	-	2,249
222,844	2,310,939	16,201,287
196,277	128,929	1,039,560
196,277	128,929	1,039,560
5,251,585	1,951,663	20,332,186
$ 5,447,862	$ 2,080,592	$ 21,371,746

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, 2018

		Amount
Net changes in fund balances - total governmental funds		$ 1,039,560
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 acquitted	642,552	
Depreciation expense	(1,774,756)	(1,132,204)
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.		(32,964)
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	43,327	
Net increase in compensated absences payable	(6,989)	36,338
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.		(467,067)
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.		(217,740)
OPEB expense reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net OPEB liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		(196,681)
Changes in net position of governmental activities		$ (970,758)

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2018

	Golf Fund
ASSETS	
Current Assets:	
Cash and cash equivalents (Notes 1 and 2)	$ 443
Accounts receivable	13,750
Inventories	7,076
Total Current Assets	21,269
Noncurrent Assets:	
Capital assets (Notes 1 and 4)	
Not being depreciated	269,364
Capital assets, net of depreciation	673,981
Total Noncurrent Assets	943,345
TOTAL ASSETS	964,614
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts from pension	22,212
Deferred amounts from OPEB	1,454
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,666
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	10,062
Due to other funds (Note 9a)	139,000
Total Current Liabilities	149,062
Noncurrent Liabilities:	
Advances from other funds (Note 9b)	1,085,000
Net pension liability	67,235
Net OPEB liability	82,683
Total Noncurrent Liabilities	1,234,918
TOTAL LIABILITIES	1,383,980
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts from pension	1,816
TOTAL DEFERRED INFLOWS OF RESOURCES	1,816
NET DEFICIT	
Net investment in capital assets	943,345
Unrestricted	(1,340,861)
TOTAL NET DEFICIT	$ (397,516)

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, 2018

	Golf Fund
OPERATING REVENUES:	
Golf revenue	$ 301,654
Total Operating Revenues	301,654
OPERATING EXPENSES:	
Parks and recreation	128,309
Public works - landscape maintenance	166,528
Depreciation	32,583
Total Operating Expenses	327,420
OPERATING LOSS	(25,766)
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(2,533)
Total Nonoperating Revenues (Expenses), Net	(2,533)
Change in Net Position	(28,299)
Net deficit at beginning of year, as restated	(369,217)
Net deficit at end of year	$ (397,516)

STATEMENT OF CASH FLOWS
For the year ended June 30, 2018

	Golf Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers	$ 297,973
Payments to employees	(118,655)
Payments for services and supplies	(206,372)
Net cash used by operating activities	(27,054)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	18,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest payments	(2,533)
Net decrease in cash and cash equivalents	(11,587)
Cash and Cash Equivalents, Beginning of Year	12,030
Cash and Cash Equivalents, End of Year	$ 443
Reconciliation of Operating Loss to Net Cash Flows Provided by Operating Activities:	
Operating loss	$ (25,766)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	32,583
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in assets:	
Receivables	(3,681)
Inventory	2,036
(Increase) decrease in deferred outflows:	
Deferred amounts from pension	23,950
Deferred amounts from OPEB	96
Increase (decrease) in liabilities:	
Accounts payable	1,232
Net pension liability	(57,294)
Net OPEB liability	3,307
Increase (decrease) in deferred inflows:	
Deferred amounts from pension	(3,517)
Total Adjustments	(1,288)
Net Cash Used by Operating Activities	$ (27,054)

See accompanying notes to the financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

June 30, 2018

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, assessments, 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:

Net investment in capital assets - 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.

Restricted - 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.

Unrestricted - 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, 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

In fiscal year 2017-2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses for post-employment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased the net position at July 1, 2017 (see Note 13).

GASB 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, and did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the City

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the District

GASB Pending Accounting Standards

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

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.

GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018

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

d. New Accounting Pronouncements (Continued)

GASB Pending Accounting Standards (Continued)

GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 20

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.

GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

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, 2018.

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, 2018, to be collectable, as any receivables deemed uncollectable have been written off.

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.

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

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, 2018, 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

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, 2018.

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

m. 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 related to pensions for 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.

- 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.

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

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. 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.

o. 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, 2018, are reported in the accompanying basic financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 16,105,862
Restricted:	
Cash and investments	4,373,508
Total cash and investments	$ 20,479,370

Cash and investments at June 30, 2018, consisted of the following:

Petty cash	$ 1,495
Deposits with financial institutions	19,757,086
Investments	720,789
Total cash and investments	$ 20,479,370

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

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the District's Investment Policy

Authorized Investment Type	Maximum Maturity	Maximum Amount or Percentage Allowed	Maximum Investment in One Issuer
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:

Investment Type	12 Months or Less
Local Agency Investment Fund	$ 488,668
Riverside County Investment Pool	232,121
	$ 720,789

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. At June 30, 2018 the District's investment in Riverside County Investment Pool is rated AAA by Standards and Poors and the investment in Local Agency Investment Fund is not rated.

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, 2018, the District had no investments in any one issuer that represented 5% or more of total District investments.

2. CASH AND INVESTMENTS (Continued)

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, 2018, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

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, 2018, is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
EMWD Retrofit Loan	$ 75,280	$ -	$ (43,326)	$ 31,954	$ 31,954
Compensated absences	143,128	94,474	(87,486)	150,116	69,446
Total	$ 218,408	$ 94,474	$ (130,812)	$ 182,070	$ 101,400

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. As of June 30, 2018, the outstanding balance was $31,954.

3. LONG-TERM DEBT (CONTINUED)

Compensated Absences

The District's policies relating to compensated absences are described in Note 1h. This liability, amounting to $150,116 at June 30, 2018, will be paid in future years from the general fund.

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land	$ 12,917,575	$ -	$ -	$ -	$ 12,917,575
Historical automobile	22,900	-	-	-	22,900
Construction in progress	1,231,970	184,770	-	(815,068)	601,672
Total capital assets, not being depreciated	14,172,445	184,770	-	(815,068)	13,542,147
Capital assets, being depreciated:					
Building and improvements	60,721,369	371,654	-	815,068	61,908,091
Equipment	208,017	58,690	-	-	266,707
Vehicles	345,897	27,438	-	-	373,335
Total capital assets, being depreciated	61,275,283	457,782	-	815,068	62,548,133
Less accumulated depreciation for:					
Building and improvements	(18,347,940)	(1,755,867)	-	-	(20,103,807)
Equipment	(192,529)	(7,373)	-	-	(199,902)
Vehicles	(314,453)	(11,516)	-	-	(325,969)
Total accumulated depreciation	(18,854,922)	(1,774,756)	-	-	(20,629,678)
Total capital assets, being depreciated, net	42,420,361	(1,316,974)	-	815,068	41,918,455
Total governmental activities capital assets, net	$ 56,592,806	$ (1,132,204)	$ -	$ -	$ 55,460,602

4. CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets, not being depreciated:				
Land	$ 269,364	$ -	$ -	$ 269,364
Total capital assets, not being depreciated	269,364	-	-	269,364
Capital assets, being depreciated:				
Building and improvements	795,299	-	-	795,299
Equipment	60,733	-	-	60,733
Total capital assets, being depreciated	856,032	-	-	856,032
Less accumulated depreciation for:				
Building and improvements	(125,211)	(26,510)	-	(151,721)
Equipment	(24,257)	(6,073)	-	(30,330)
Total accumulated depreciation	(149,468)	(32,583)	-	(182,051)
Total capital assets, being depreciated, net	706,564	(32,583)	-	673,981
Total business-type activities capital assets, net	$ 975,928	$ (32,583)	$ -	$ 943,345

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

Governmental Activities	
General government	$ 31,908
Parks and recreation	1,739,945
Public works - landscape maintenance	2,903
Total Depreciation - Governmental Activities	$ 1,774,756
Business-type Activities	
Golf	$ 32,583
Total Depreciation - Business-type Activities	$ 32,583

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

5. INSURANCE JOINT POWERS AGENCY (CONTINUED)

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, 2018. 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 (limited to insurable value). 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, 2018, 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	10.110%	7.200%	6.533%
Payment of unfunded liability	$ 196,043	$ 116	$ 167

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, 2018, 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	$ 3,955,018

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, 2017, 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, 2016, rolled forward to June 30, 2017, 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 the measurement dates ended June 30, 2016 and 2017, was as follows:

	Miscellaneous
Proportion - June 30, 2016	0.09958%
Proportion - June 30, 2017	0.10033%
Change - Increase (Decrease)	0.00075%

For the year ended June 30, 2018, the District recognized pension expense of $825,853. At June 30, 2018, 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	$ 395,647	$ -
Differences between actual and expected experience	4,490	(64,330)
Change in assumptions	557,125	(42,481)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	126,000	-
Net differences between projected and actual earnings on plan investments	223,340	-
Total	$ 1,306,602	$ (106,811)

An amount of $395,647 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, 2019. 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
2019	$ 293,715
2020	362,235
2021	223,001
2022	(74,807)
2023	-
Thereafter	-
	$ 804,144

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, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry and service.

(2) The mortality table used was developed based on CalPERS-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 (based on CalPERS demographic date from 1997 to 2011) available on the CalPERS website.

(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, 2016, 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

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and 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 7.15% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% 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, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
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	6.15%
Net Pension Liability	$ 5,791,461
Current Discount Rate	7.15%
Net Pension Liability	$ 3,955,018
1% Increase	8.15%
Net Pension Liability	$ 2,434,043

Pension Plan Fiduciary Net Position

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

   c. Payable to the Pension Plan

At June 30, 2018, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), an agent multiple-employer plan, commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. For Administrative personnel, the District contributes the full premium for the retired participant, including spouse and if applicable, family portion. The contribution continues when the retiree is Medicare eligible. Those who retire directly from the District with at least 50 years in age and 5 years CaiPERS service if hired before 1/1/2013, and 52 years in age and 5 years CalPERS service if hired on or after 1/1/2013 are eligible. For Miscellaneous/Clerical, the District contributes the employee only premium for the retired participant. The contribution continues when the retiree is Medicare eligible. Those who retire directly from the District with at least 50 years in age and 5 years CalPERS service if hired before 1/1/2013, and 52 years in age and 5 years CalPERS service if hired on or after 1/1/2013 are eligible. In addition, the District pays the PEMHCA administrative fee (0.33% of premium for 2017/18, 0.23% of premium for 2018/19). Survivor benefits are available. The District does not contribute dental, vision, and life benefits for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a separate report.

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees Covered

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	7
Active employees	21
Total	28

Total OPEB Liability

The District's OPEB liability of $4,863,712 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedure were used to project/discount from valuation to measurement date.

Actuarial Assumptions and Other Inputs

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

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Alernative Measurement Method
Actuarial Assumptions:	
Discount Rate	3.13%
Projected Salary Increase	3.00% per annum, in aggregate
Healthcare Cost Trend Rates	6.0% for 2017; 5.0% for 2018 and later
Percent married	50%
Retirement age	50%
Mortality	Based on the RP-2014 Employee Mortality table for Males or Females, as appropriate. Post-retirement mortality rates were based on RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Changes in total OPEB Liability

The change in total OPEB liability is as follows:

	Total OPEB Liability
Balance at June 30, 2016 (Measurement Date)	$ 4,669,285
Changes in the Year:	
Service cost	140,899
Interest on the total OPEB liability	144,732
Benefit payments	(91,204)
Net Changes	194,427
Balance at June 30, 2017 (Measurement Date)	$ 4,863,712

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

The following presents the total OPEB liability of the District, calculated using the discount rate for the Plan, as well as what the District's total OPEB 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:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	$ 5,766,943	$ 4,863,712	$ 4,154,092

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower (5.00% decreasing to 4.00%) or one-percentage point higher (7.00% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Total OPEB Liability	$ 4,109,682	$ 4,863,712	$ 5,836,882

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

For the year ended June 30, 2018, the District recognized OPEB expense of $285,631. At June 30, 2018, the District reported deferred outflows of resources of $85,548 related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019.

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, 2018, 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, 2018, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Echo Hills	$ 139,000
General Fund	Wheatfield	80,964
		$ 219,964

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

9. INTERFUND TRANSACTIONS

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. This is reflected on the statement of net position as an internal balance. The balance as of June 30, 2018, is $1,085,000. There is currently no repayment schedule for this loan.

10. INDIVIDUAL FUND DISCLOSURES

The following funds contained deficit fund balances/net position as of June 30, 2018:

	Deficit Amount
Other Governmental Special Revenue Funds:	
Wheatfield Landscape Maintenance District	$ 82,691
Echo Hills Enterprise Fund	397,516

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

11. 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.

12. 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, 2018.

13. RESTATEMENT OF NET POSITION

Net position as of July 1, 2017 were restated as follows:

	Governmental Governmental Activities	Business-Type Activities/ Echo Hills Fund
Net position (deficit) as previously reported as of June 30, 2017	$ 73,495,861	$ (291,391)
Implementation of GASB 75 to record the OPEB liability at the beginning of the year	(3,188,029)	(77,826)
Net position (deficit) as restated July 1, 2017	$ 70,307,832	$ (369,217)

14. SUBSEQUENT EVENTS

Events occurring after June 30, 2018, have been evaluated for possible adjustments to the financial statements or disclosures as of April 5, 2019, which is the date these financial statements were available to be issued.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.03988%	0.99580%	0.10310%	0.08889%
Plan's proportionate share of the net pension liability	$ 3,955,018	$ 3,459,147	$ 2,828,422	$ 2,196,948
Plan's covered payroll	$ 2,132,386	$ 2,202,481	$ 2,080,642	$ 2,254,756
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	185.47%	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	73.31%	74.06%	75.27%	80.13%
Plan's proportionate share of aggregate employer contributions	$ 355,525	$ 327,337	$ 329,468	$ 241,879

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 395,647	$ 379,956	$ 329,674	$ 292,330
Contributions in relation to the actuarially determined contributions	395,647	379,956	329,674	292,330
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 2,172,665	$ 2,132,386	$ 2,202,481	$ 2,080,642
Contributions as a percentage of covered payroll	18.21%	17.82%	14.97%	14.05%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2014	6/30/2013	6/30/2012

Methods and Assumptions Used to Determine Contribution Rates

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	2.5% @ 55, 2% @ 60-62
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown

** - The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal Year Ended		June 30, 2018
Measurement date		June 30, 2017
Total OPEB Liability:		
Service cost	$	140,899
Interest on total OPEB liability		144,732
Benefit payments, including refunds of		(91,204)
Net Change in Total OPEB Liability		194,427
Total OPEB Liability - Beginning of Year		4,669,285
Total OPEB Liability - Ending (a)-(b)	$	4,863,712
Covered - employee payroll	$	2,132,386
Total OPEB liability as percentage of covered - employee payroll		228.09%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
The fiscal year ended June 30, 2018 is the first year of implementation; therefore, there are no previous GASB 75 actuarial reports for comparison.

* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

THIS PAGE INTENTIONALLY LEFT BLANK

BUDGETARY COMPARISON SCHEDULE, GENERAL FUND
For the year ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 4,696,261	$ 4,696,261	$ 4,696,261	$ -
RESOURCES (INFLOWS):				
Taxes	1,457,500	1,457,500	1,663,634	206,134
Revenues from use of money and property	370,500	370,500	312,633	(57,867)
Intergovernmental revenues	810,000	810,000	1,034,572	224,572
Charges for services	1,996,500	1,996,500	1,848,252	(148,248)
Other revenues	1,589,650	1,589,650	1,652,071	62,421
Amount Available for Appropriations	6,224,150	6,224,150	6,511,162	287,012
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	869,281	869,281	942,736	(73,455)
Parks and recreation	3,019,698	3,019,698	2,853,770	165,928
Public works - landscape maintenance	2,018,348	2,018,348	1,885,869	132,479
Capital outlay	-	-	53,349	(53,349)
Debt service - principal	124,246	124,246	-	124,246
Total Charges to Appropriations	6,031,573	6,031,573	5,735,724	295,849
NET CHANGE IN FUND BALANCE	192,577	192,577	775,438	582,861
FUND BALANCE, JUNE 30	$ 4,888,838	$ 4,888,838	$ 5,471,699	$ 582,861

BUDGETARY COMPARISON SCHEDULE, MENIFEE LANDSCAPE MAINTENANCE DISTRICT
SPECIAL REVENUE FUND
For the year ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 1,492,543	$ 1,492,543	$ 1,492,543	$ -
RESOURCES (INFLOWS):				
Revenues from use of money and property	19,000	19,000	41,280	22,280
Charges for services	2,405,000	2,405,000	2,224,480	(180,520)
Other revenues	1,000	1,000	1,880	880
Amount Available for Appropriations	2,425,000	2,425,000	2,267,640	(157,360)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	-	-	4,494	(4,494)
Parks and recreation	367,900	367,900	344,064	23,836
Public works - landscape maintenance	1,769,928	1,769,928	1,842,541	(72,613)
Capital outlay	-	-	278,328	(278,328)
Debt service - principal	50,000	50,000	43,327	6,673
Debt service - interest	5,000	5,000	2,249	2,751
Total Charges to Appropriations	2,192,828	2,192,828	2,515,003	(317,681)
NET CHANGE IN FUND BALANCE	232,172	232,172	(247,363)	(475,041)
FUND BALANCE, JUNE 30	$ 1,724,715	$ 1,724,715	$ 1,245,180	$ (475,041)

BUDGETARY COMPARISON SCHEDULE, MENIFEE SOUTH LANDSCAPE MAINTENANCE DISTRICT SPECIAL REVENUE FUND
For the year ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 2,416,797	$ 2,416,797	$ 2,416,797	$ -
RESOURCES (INFLOWS):				
Revenues from use of money and property	10,000	10,000	4,672	(5,328)
Charges for services	925,000	925,000	889,941	(35,059)
Amount Available for Appropriations	935,000	935,000	894,613	(40,387)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works - landscape maintenance	900,452	900,452	877,802	22,650
Total Charges to Appropriations	900,452	900,452	877,802	22,650
NET CHANGE IN FUND BALANCE	34,548	34,548	16,811	(17,737)
FUND BALANCE, JUNE 30	$ 2,451,345	$ 2,451,345	$ 2,433,608	$ (17,737)

BUDGETARY COMPARISON SCHEDULE, FRENCH VALLEY LANDSCAPE MAINTENANCE DISTRICT SPECIAL REVENUE FUND
For the year ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 4,523,337	$ 4,523,337	$ 4,523,337	$ -
RESOURCES (INFLOWS):				
Revenues from use of money and property	101,000	101,000	93,558	(7,442)
Charges for services	4,608,500	4,608,500	4,367,829	(240,671)
Other revenues	65,500	65,500	247,056	181,556
Amount Available for Appropriations	4,775,000	4,775,000	4,708,443	(66,557)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Parks and recreation	345,380	345,380	358,535	(13,155)
Public works - landscape maintenance	4,154,581	4,154,581	4,069,442	85,139
Capital outlay	1,500	1,500	110,998	(109,498)
Total Charges to Appropriations	4,501,461	4,501,461	4,538,975	(37,514)
NET CHANGE IN FUND BALANCE	273,539	273,539	169,468	(104,071)
FUND BALANCE, JUNE 30	$ 4,796,876	$ 4,796,876	$ 4,692,805	$ (104,071)

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, 2018.

4) Budget information is adopted for general, special revenue, 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.

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	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)	$ 5,559	$ 1,108,344	$ -	$ 85,626
Accounts receivable	-	4,795	-	-
Taxes receivable	-	8,990	-	429
Interest receivable	-	138	-	-
TOTAL ASSETS	$ 5,559	$ 1,122,267	$ -	$ 86,055
LIABILITIES:				
Accounts payable	$ 497	$ 91,180	$ 1,727	$ 262
Due to other funds (Note 10)	-	-	80,964	
Total Liabilities	497	91,180	82,691	262
FUND BALANCE:				
Restricted for:				
Parks and recreation	5,062	1,031,087	-	85,793
Unassigned	-	-	(82,691)	-
Total Fund Balance	5,062	1,031,087	(82,691)	85,793
TOTAL LIABILITIES AND FUND BALANCE	$ 5,559	$ 1,122,267	$ -	$ 86,055

(Continued)

Winchester/Hunter Landscape Maintenance District	Winchester CFD	French Valley CFD	Menifee South CFD	Total Other Governmental Funds
$ 90,888	$ 85,221	$ 863,706	18,275	$ 2,257,619
-	-	-	-	4,795
-	-	5,251	-	14,670
-	-	-	-	138
$ 90,888	$ 85,221	$ 868,957	$ 18,275	$ 2,277,222
$ 4,336	$ 555	$ 17,109	$ -	$ 115,666
-	-	-	-	80,964
4,336	555	17,109	-	196,630
86,552	84,666	851,848	18,275	2,163,283
-	-	-	-	(82,691)
86,552	84,666	851,848	18,275	2,080,592
$ 90,888	$ 85,221	$ 868,957	$ 18,275	$ 2,277,222

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	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	$ -	$ 1,577	$ -	$ -
Charges for services	6,850	1,508,314	-	35,944
Other revenues	-	27,167	-	-
Total Revenues	6,850	1,537,058	-	35,944
EXPENDITURES:				
Public works - landscape maintenance	7,471	1,617,897	14,641	17,881
Total Expenditures	7,471	1,617,897	14,641	17,881
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(621)	(80,839)	(14,641)	18,063
NET CHANGES IN FUND BALANCES	(621)	(80,839)	(14,641)	18,063
FUND BALANCES, July 1, AS RESTATED	5,683	1,111,926	(68,050)	67,730
FUND BALANCES, June 30	$ 5,062	$ 1,031,087	$ (82,691)	$ 85,793

(Continued)

Winchester/Hunter Landscape Maintenance District	Winchester CFD	French Valley CFD	Menifee South CFD	Total Other Governmental Funds
$ 126	$ -	$ 932	$ -	$ 2,635
65,971	50,250	724,462	18,275	2,410,066
-	-	-	-	27,167
66,097	50,250	725,394	18,275	2,439,868
51,331	77,706	524,012	-	2,310,939
51,331	77,706	524,012	-	2,310,939
14,766	(27,456)	201,382	18,275	128,929
14,766	(27,456)	201,382	18,275	128,929
71,786	112,122	650,466	-	1,951,663
		-		
$ 86,552	$ 84,666	$ 851,848	$ 18,275	$ 2,080,592