



**Desert Recreation District**

**Financial Statements**

**For the Fiscal Year Ended June 30, 2014**

## *Our Mission Statement*

The Desert Recreation District maintains quality park and recreation facilities; programs and services; and facilitates leisure opportunities so all residents will receive:

- *Personal Benefits* in the form of physical fitness, enrichment, relaxation, and revitalization;
- *Social Benefits* in the form of stronger and healthier families; ethnic and cultural harmony; reduced anti-social behavior; and enriched lives for persons with disabilities;
- *Economic Benefits* in the form of more productive and healthier citizens; increased tourism; and contributions to the quality of life sought by business and industry.

### **Desert Recreation District**

#### **Board of Directors**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Area</u>
Rudy Acosta	President	Elected	Division 4
Joanne Gilbert	Vice-President	Elected	Division 3
Silvia Paz	Director	Elected	Division 1
Francisco Duran	Director	Elected	Division 2
Laura McGalliard	Director	Elected	Division 5

**Desert Recreation District**  
**Kevin Kalman, General Manager**  
**45-305 Oasis Street**  
**Indio, CA 92201 • (760) 347-3484**  
**[www.myrecreationdistrict.com](http://www.myrecreationdistrict.com)**

**Desert Recreation District**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2014**

**Desert Recreation District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2014**

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# **Financial Section**





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An Accountancy Corporation

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## Independent Auditor's Report

Board of Directors  
Desert Recreation District  
Indio, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Desert Recreation District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Desert Recreation District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report, continued**

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the required supplementary information on pages 33 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information schedule on page 35 is presented for purposes of additional analysis and is not required parts of the basic financial statements. The supplementary information schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on page 36 and 37.

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**  
Cypress, California  
October 31, 2014



**Desert Recreation District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**

As management of the Desert Recreation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2014. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

**Financial Highlights**

- The District's net position increased 6.24% or \$1,041,663, from \$16,698,842 to 17,740,505.
- Total revenues decreased by 7.30% or \$855,364 from \$11,715,594 to 10,860,230 from the prior year due primarily due to the one-time capital grants of \$911,323 received in fiscal year 2013 verses only \$32,853 in capital grants received in fiscal year 2014.
- Total expenses decreased by 2.09% or \$209,221 from \$10,027,788 to \$9,818,567 from the prior year due to primarily to decreases in facilities and maintenance of \$147,205 and materials and services of 102,921.

**Using This Financial Report**

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

**Government-wide Financial Statements**

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

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

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

**Desert Recreation District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2014**

**Governmental Funds Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and funding progress of its retirement plan.

**Government-wide Financial Analysis**

*Statement of Net Position*

**Condensed Statement of Net Position**

	<b>2014</b>	<b>2013</b>	<b>Change</b>
Assets:			
Current assets	\$ 9,848,201	9,772,418	75,783
Capital assets, net	11,833,788	10,862,574	971,214
<b>Total assets</b>	21,681,989	20,634,992	1,046,997
Liabilities:			
Current liabilities	1,064,404	891,011	173,393
Non-current liabilities	2,877,080	3,045,139	(168,059)
<b>Total liabilities</b>	3,941,484	3,936,150	5,334
Net position:			
Net investment in capital assets	9,905,161	8,647,574	1,257,587
Restricted	-	139,609	(139,609)
Unrestricted	7,835,344	7,911,659	(76,315)
<b>Total net position</b>	\$ 17,740,505	16,698,842	1,041,663

**Desert Recreation District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2014**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$17,740,505 as of June 30, 2014. A large portion of the District's net position (56% or \$9,905,161) reflects its investment in capital assets (net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for operations; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2014, the District reflected a positive balance in its unrestricted net position of \$7,835,344 that may be utilized in future years.

**Statement of Activities**

**Condensed Statement of Activities**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Expenses:			
Recreation and park operations	\$ 9,818,567	10,027,788	(209,221)
<b>Total expenses</b>	<u>9,818,567</u>	<u>10,027,788</u>	<u>(209,221)</u>
Program revenues	6,079,274	6,996,632	(917,358)
General revenues	4,780,956	4,718,962	61,994
<b>Total revenues</b>	<u>10,860,230</u>	<u>11,715,594</u>	<u>(855,364)</u>
<b>Change in net position</b>	1,041,663	1,687,806	(646,143)
Net position – beginning of year	<u>16,698,842</u>	<u>15,011,036</u>	<u>1,687,806</u>
Net position – end of year	<u>\$ 17,740,505</u>	<u>16,698,842</u>	<u>1,041,663</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$1,041,663 during the fiscal year ended June 30, 2014.

**Governmental Funds Financial Analysis**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2014, the District's General Fund reported a fund balance of \$10,037,024.

**General Fund Budgetary Highlights**

Total cost for the District's general fund and special revenue programs were less than the 2014 revised budget by \$1,355,470 primarily due to less than expected expenditures for capital outlay then budgeted. Actual revenues were less than the anticipated revised budget by \$770,819 primarily due to decreases in redevelopment agency pass-through revenues of \$371,856, registration and other fees of \$369,711 and capital grants of \$242,605.

**Desert Recreation District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended June 30, 2014**

**Capital Asset Administration**

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable capital assets \$	2,472,527	1,169,517	-	3,642,044
Depreciable capital assets	<u>15,360,295</u>	<u>396,423</u>	<u>(149,425)</u>	<u>15,607,293</u>
Total capital assets	17,832,822	1,565,940	(149,425)	19,249,337
Accumulated depreciation	<u>(6,970,248)</u>	<u>(594,726)</u>	<u>149,425</u>	<u>(7,415,549)</u>
Total capital assets, net \$	<u><u>10,862,574</u></u>	<u><u>971,214</u></u>	<u><u>-</u></u>	<u><u>11,833,788</u></u>

At the end of fiscal year 2014, the District's investment in capital assets amounted to \$11,833,788 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, playground equipment, equipment and construction-in-process. Major capital asset additions during the year include various improvements and equipment purchases totaling \$1,538,200. See note 3 for further information on the District's capital assets.

**Debt Administration**

Changes in long-term debt for the year was as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2014</u>
Certificates-of-participation \$	<u>2,150,000</u>	<u>2,064,735</u>	<u>(2,286,108)</u>	<u>1,928,627</u>

In 2014, the District advance refunded its 2002 certificates-of-participation to reduce the years of debt service by twelve-years and reduce the amount of interest expense by \$1,053,880. See further detail at note 5.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

**Requests for Information**

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager, Kevin Kalman, at the Desert Recreation District, 45-305 Oasis Street, Indio, California 92201 or (760) -347-3484.

# **Basic Financial Statements**

**Desert Recreation District**  
**Statement of Net Position**  
**June 30, 2014**  
*With Comparative Amounts as of June 30, 2013*

	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
Cash and cash equivalents (note 2)	\$ 8,935,459	8,996,440
Restricted – cash and cash equivalents (note 2)	-	175,828
Accrued interest receivable	2,874	2,599
Accounts receivable	189,639	147,678
Property taxes receivable	113,790	59,817
Special assessments receivable	163,854	141,527
Prepaid expenses and other assets	442,585	248,529
Capital assets – not being depreciated (note 3)	3,642,044	2,472,527
Capital assets – being depreciated, net (note 3)	8,191,744	8,390,047
<b>Total assets</b>	21,681,989	20,634,992
<b>Liabilities:</b>		
Accounts payable and accrued expenses	290,563	403,855
Accrued salaries and benefits	267,583	180,999
Unearned revenues and customer deposits	105,076	111,891
Accrued interest payable	16,072	36,219
Long-term liabilities – due in one year:		
Compensated absences (note 4)	108,747	93,047
Certificates-of-participation (note 5)	276,363	65,000
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)	326,239	279,139
Other post-employment benefits payable (note 6)	898,577	616,000
Certificates-of-participation (note 5)	1,652,264	2,150,000
<b>Total liabilities</b>	3,941,484	3,936,150
<b>Net position: (note 8)</b>		
Net investment in capital assets	9,905,161	8,647,574
Restricted for debt service	-	139,609
Unrestricted	7,835,344	7,911,659
<b>Total net position</b>	\$ 17,740,505	16,698,842

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**  
*With Comparative Amounts for the Fiscal Year Ended June 30, 2013*

<i>Governmental Activities:</i>	<u>2014</u>	<u>2013</u>
<b>Expenses:</b>		
Recreation and park operations:		
Salaries and benefits	\$ 5,476,107	5,487,066
Facilities and maintenance	2,085,162	2,232,367
Materials and services	1,043,232	1,146,153
Indio Community Center (note 7)	467,353	468,941
Cost of debt issuance	90,563	-
Interest on long-term debt	61,424	109,052
Depreciation	594,726	584,209
<b>Total expenses</b>	<u>9,818,567</u>	<u>10,027,788</u>
<b>Program revenues:</b>		
Charges for services:		
Registration and other fees	1,768,233	1,709,875
Intergovernmental service fees	1,332,081	1,343,769
Facility and other rental fees	70,464	119,636
Other revenues	77,009	91,636
Special assessments	2,492,928	2,524,080
Total charges for services	5,740,715	5,788,996
Operating grants and contributions	305,706	296,313
Capital grants and contributions	32,853	911,323
<b>Total program revenues</b>	<u>6,079,274</u>	<u>6,996,632</u>
<b>Net program expense</b>	<u>3,739,293</u>	<u>3,031,156</u>
<b>General revenues:</b>		
Property taxes	2,228,250	2,075,982
Redevelopment agency pass-through	2,517,904	2,620,055
Interest earnings	34,802	22,925
<b>Total general revenues</b>	<u>4,780,956</u>	<u>4,718,962</u>
<b>Change in net position</b>	1,041,663	1,687,806
Net position – beginning of year	16,698,842	15,011,036
Net position – end of year	<u>\$ 17,740,505</u>	<u>16,698,842</u>

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Balance Sheet – Governmental Funds**  
**June 30, 2014**

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Golf Center Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 8,561,476	-	373,983	8,935,459
Restricted – cash and cash equivalents	-	-	-	-
Accrued interest receivable	2,874	-	-	2,874
Accounts receivable	126,139	-	63,500	189,639
Property taxes receivable	113,790	-	-	113,790
Special assessments receivable	-	163,854	-	163,854
Due from other funds (note 10)	1,857,209	499,277	-	2,356,486
Prepaid expenses and other assets	433,513	-	9,072	442,585
<b>Total assets</b>	<u>11,095,001</u>	<u>663,131</u>	<u>446,555</u>	<u>12,204,687</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	151,734	109,606	29,223	290,563
Accrued salaries and benefits	253,245	-	14,338	267,583
Due to other funds (note 10)	499,277	55,671	1,801,538	2,356,486
Unearned revenues and customer deposits	153,721	-	-	153,721
<b>Total liabilities</b>	<u>1,057,977</u>	<u>165,277</u>	<u>1,845,099</u>	<u>3,068,353</u>
<b>Fund balance: (note 9)</b>				
Nonspendable	433,513	-	9,072	442,585
Committed	1,333,563	497,854	-	1,831,417
Assigned	6,800,000	-	-	6,800,000
Unassigned	1,469,948	-	(1,407,616)	62,332
<b>Total fund balance</b>	<u>10,037,024</u>	<u>497,854</u>	<u>(1,398,544)</u>	<u>9,136,334</u>
<b>Total liabilities and fund balance</b>	<u>\$ 11,095,001</u>	<u>663,131</u>	<u>446,555</u>	<u>12,204,687</u>

See accompanying notes to the basic financial statements



**Desert Recreation District**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statement of Net Assets**  
**June 30, 2014**

**Reconciliation:**

Fund balance of governmental funds	\$	9,136,334
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.		11,833,788
Revenues that are measurable but not available are recorded as unearned revenue under the modified accrual basis of accounting.		48,645
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. However, the statement of net position recognizes accrued interest on long-term debt based on the period of accrual.		(16,072)
Long-term liabilities applicable to the District 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 as follows:		
Compensated absences		(434,986)
Other post-employment benefits payable		(898,577)
Loan payable		<u>(1,928,627)</u>
Net position of governmental activities	\$	<u><u>17,740,505</u></u>

**Desert Recreation District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Type Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Golf Center Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 2,179,605	-	-	2,179,605
Redevelopment agency pass-through	2,517,904	-	-	2,517,904
Charges for services:				
Registration and other fees	1,526,114	-	242,119	1,768,233
Intergovernmental service fees	1,326,981	-	5,100	1,332,081
Facility and other rental fees	57,515	-	12,949	70,464
Other revenues	47,204	-	29,805	77,009
Special assessments	-	2,492,928	-	2,492,928
Operating grants and contributions	136,642	-	169,064	305,706
Capital grants and contributions	5,113	-	-	5,113
Investment earnings	34,802	-	-	34,802
<b>Total revenues</b>	<u>7,831,880</u>	<u>2,492,928</u>	<u>459,037</u>	<u>10,783,845</u>
<b>Expenditures:</b>				
Salaries and benefits	3,748,457	1,110,951	271,322	5,130,730
Facilities and maintenance	819,297	929,647	336,218	2,085,162
Materials and services	566,957	421,198	55,077	1,043,232
Indio Community Center & Park project (note 7)	-	467,353	-	467,353
Capital outlay	1,030,984	-	507,216	1,538,200
Principal paid	201,108	-	-	201,108
Interest paid	81,571	-	-	81,571
<b>Total expenditures</b>	<u>6,448,374</u>	<u>2,929,149</u>	<u>1,169,833</u>	<u>10,547,356</u>
<b>Excess of revenues over expenditures</b>	1,383,506	(436,221)	(710,796)	236,489
<b>Other financing sources(uses):</b>				
Advance refunding of outstanding debt	(2,150,000)	-	-	(2,150,000)
Cost of advance refunding issuance	(90,563)	-	-	(90,563)
Debt issuance – loan payable	2,064,735	-	-	2,064,735
Transfers (note 11)	(458,474)	458,474	-	-
<b>Total other financing sources(uses)</b>	<u>(634,302)</u>	<u>458,474</u>	<u>-</u>	<u>(175,828)</u>
<b>Change in fund balance</b>	749,204	22,253	(710,796)	60,661
Fund balance – beginning of year	9,287,820	475,601	(687,748)	9,075,673
Fund balance – end of year	<u>\$ 10,037,024</u>	<u>497,854</u>	<u>(1,398,544)</u>	<u>9,136,334</u>

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Type Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

**Reconciliation:**

Net changes in fund balance of governmental fund	\$	60,661
Amounts reported for governmental activities in the statement of activities is different because:		
Contributed land is not a current financial resource; however, on the statement of activity contributed land is accounted for as a capital grant.		27,740
Some revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		48,645
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:		
Net change in compensated absences		(62,800)
Net change in other post-employment benefits payable		(282,577)
Net change in accrued interest payable		20,147
Net change in advance refunding of outstanding debt		85,265
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		1,538,200
Depreciation expense		(594,726)
Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		<u>201,108</u>
Change in net position of governmental activities	\$	<u><u>1,041,663</u></u>

**Desert Recreation District**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**  
*With Comparative Amounts as of June 30, 2013*

	<b>Part-Time Employees Retirement Trust Fund</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets:</b>		
Cash and investments	\$ 964,186	856,854
<b>Total assets</b>	<b>964,186</b>	<b>856,854</b>
<b>Net position:</b>		
Net position – held-in-trust	964,186	856,854
<b>Total liabilities</b>	<b>\$ 964,186</b>	<b>856,854</b>

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2014**  
*With Comparative Amounts for the Fiscal Year Ended June 30, 2013*

	<b>Part-Time Employees Retirement Trust Fund</b>	
	<b>2014</b>	<b>2013</b>
<b>Additions:</b>		
Contributions to retirement trust fund	\$ 155,991	151,237
Investment earnings	53,156	53,165
<b>Total additions</b>	209,147	204,402
<b>Deductions:</b>		
Retirement funds transferred to recipients	86,202	109,097
Trustee fees	15,613	16,330
<b>Total deductions</b>	101,815	125,427
<b>Change in net position</b>	107,332	78,975
<b>Net position – held-in-trust – beginning of year</b>	856,854	777,879
<b>Net position – held-in-trust – end of year</b>	\$ 964,186	856,854

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Coachella Valley Recreation and Parks District was formed on December 18, 1950, for the purpose of providing recreation facilities and services in the Coachella Valley under Section 5780 of the Public Resources Code. On January 1, 2009, the District was renamed as the Desert Recreation District (District). The District's services include recreational programs, sports leagues, aquatics, preschool, park maintenance, referral services, community center usage, parks, trips and education activities. The District encompasses approximately 1,800 square miles with the headquarters located in Indio, California. General administration and management of the District is under the direction of a five-member Board of Directors and a General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Because the governing bodies are substantially the same as that of the District, the District has six component units, which are considered blended component units, as follows:

***California Special District Finance Corporation (Corporation)***

The Corporation is a non-profit, public benefit corporation incorporated under the laws of the State of California. The Corporation was formed to provide financing assistance to the District for the construction and acquisition of major capital facilities. Upon completion of the subject transactions, the District occupies the Corporation's facilities under a lease-purchase agreement effective through 2032. At the end of the lease term, title of the Corporation's property will pass to the District for no additional compensation. There are no individual financial statements issued for the Corporation and the Corporation is inactive as of June 30, 2014 due to the debt refinancing.

***Assessment District 97-1, Thousand Palms Landscape and Lighting***

On July 23, 1997, the District formed the Thousand Palms Landscape and Lighting Assessment District to provide improvements and continue to levy special assessments previously provided and levied by the County of Riverside. The District levied and collected annual assessments beginning in fiscal year 1998. Assessments are used to maintain and operate the Thousand Palms Community Center, recreation facilities, landscaping and lighting maintenance.

***Assessment District 02-1, Coachella Landscape and Lighting***

On June 25, 2003, the District formed the Coachella Landscape and Lighting Assessment District No. 02-1. Assessments began collection in fiscal year 2004.

***Assessment District 03-1, Mecca Landscape and Lighting***

On June 25, 2003, the District formed the Mecca Landscape and Lighting Assessment District No. 03-1. Assessments began collection in fiscal year 2004.

***Assessment District 03-2, Thousand Palms Landscape and Lighting***

On June 25, 2003, the District formed the Thousand Palms Landscape and Lighting Assessment District No. 03-2. Assessments began collection in fiscal year 2004.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity, continued**

*Assessment District 06-1, Coachella Drainage Benefit Assessment*

On April 26, 2006, the District formed the Coachella Drainage Benefit Assessment District No. 06-1. Assessments began collection in fiscal year 2008.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues 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.

***Governmental Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the district are property tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due. The District reports the following major governmental funds:

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Governmental Funds*

**General Fund** – is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary

**Special Assessment Fund** – accounts for funds received from a special assessment for specific park and recreation facilities and operations.

**Golf Fund** – accounts for the funds received and expended for golfing operations at the District’s golf course.

*Fiduciary Funds*

**Part-Time Employees Retirement Trust Fund** – holds funds in trust for part-time employees who are enrolled in the non-elective deferred compensation plan arrangement for the benefit of employees who are not covered by another retirement system maintained by the District. (See note 12)

**C. Assets, Liabilities and Net Position**

**1. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of District’s cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy directing the General Manager to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Property Taxes and Special Assessments**

The County of Riverside Assessor’s Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector’s Office bills and collects the District’s share of property taxes and special assessments. The County of Riverside Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

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

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10



**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Liabilities and Net Position, continued**

**5. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**6. Capital Assets**

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, land improvements, buildings, buildings and improvements, machinery and equipment and vehicles. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Class	Useful Lives
Land improvements	10-20 years
Buildings and structures	5-50 years
Machinery and equipment	3-20 years
Vehicles	6-8 years

**7. Compensated Absences**

The District's policy is to permit full time employees to accumulate earned vacation time, sick leave, and compensating time. Earned vacation time shall be earned by each employee subject to the accrual limitations and policies.

**8. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

**Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

**Restricted Net Position** – This component of net position consists of constraints on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Assets, Liabilities, Net Position, continued**

**9. Fund Balance**

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

**Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

**Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

**Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

**Assigned fund balance** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.

**Unassigned fund balance** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

***Fund Balance Policy***

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, consist of the following:

	<b>2014</b>
Cash on hand	\$ 800
Deposits held with financial institutions	3,339,297
Deposits held with California Local Agency Investment Fund (LAIF)	5,562,603
Deposits held with Riverside County Pooled Investment Fund (RCPIF)	32,759
Total	\$ 8,935,459

As of June 30, the District's authorized deposits had the following maturities:

	<b>2014</b>
Deposits held with California Local Agency Investment Fund (LAIF)	232 days
Deposits held with Riverside County Pooled Investment Fund (RCPIF)	500 days

***Authorized Deposits and Investments***

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as prescribed by its investment policy. The following are two investment pools where the District has invested its funds:

***Local Agency Investment Fund***

LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. The fair value of the District's position in the LAIF is the same as the value of its pooled share. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

***Riverside County Treasury – Pooled Investment Fund***

The Riverside County Treasury Pooled Investment Fund (RCPIF) is a pooled investment fund program governed by the County of Riverside Board of Supervisors, and administered by the County of Riverside Treasurer and Tax Collector. Investments in RCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. RCPIF does not impose a maximum investment limit.

The County of Riverside's bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the County of Riverside Administrative Office – 4080 Lemon Street, 4<sup>th</sup> Floor – Capital Markets – Riverside, CA 92506 or the Treasurer and Tax Collector's office website at [www.countytreasurer.org](http://www.countytreasurer.org).

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(2) Cash and Cash Equivalents, 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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF or RCPIF)

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

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; however, LAIF is not rated and the RCPIF has been rated AAA-bf by Moody's.

***Concentration of Credit Risk***

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF, is 41% and RCPIF is 3% of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(3) Capital Assets**

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable capital assets:				
Land – golf	\$ 961,613	-	-	961,613
Land – parks	1,441,104	27,740	-	1,468,844
Construction-in-process – golf	-	459,667	-	459,667
Construction-in-process – parks	69,810	682,110	-	751,920
Total non-depreciable capital assets	<u>2,472,527</u>	<u>1,169,517</u>	<u>-</u>	<u>3,642,044</u>
Depreciable capital assets:				
Land improvements – golf	421,112	28,727	-	449,839
Land improvements – parks	2,301,464	68,825	-	2,370,289
Buildings and structures – golf	159,309	-	-	159,309
Buildings and structures – parks	11,081,510	50,504	(48,179)	11,083,835
Machinery and equipment – golf	154,499	18,822	-	173,321
Machinery and equipment – parks	818,970	229,545	(77,700)	970,815
Vehicles – parks	423,431	-	(23,546)	399,885
Total depreciable capital assets	<u>15,360,295</u>	<u>396,423</u>	<u>(149,425)</u>	<u>15,607,293</u>
Accumulated depreciation:				
Land improvements – golf	(246,054)	(21,307)	-	(267,361)
Land improvements – parks	(1,672,160)	(72,932)	-	(1,745,092)
Buildings and structures – golf	(91,938)	(11,093)	-	(103,031)
Buildings and structures – parks	(4,004,619)	(372,407)	48,179	(4,328,847)
Machinery and equipment – golf	(101,092)	(12,368)	-	(113,460)
Machinery and equipment – parks	(557,386)	(71,850)	77,700	(551,536)
Vehicles – parks	(296,999)	(32,769)	23,546	(306,222)
Total accumulated depreciation	<u>(6,970,248)</u>	<u>(594,726)</u>	<u>149,425</u>	<u>(7,415,549)</u>
Total depreciable capital assets, net	<u>8,390,047</u>	<u>(198,303)</u>	<u>-</u>	<u>8,191,744</u>
Total capital assets, net	<u>\$ 10,862,574</u>			<u>11,833,788</u>

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(4) Compensated Absences**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to compensated absences balances at June 30, were as follows:

<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2014</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 372,186	332,564	(269,764)	434,986	108,747	326,239

**(5) Long-term Debt**

Changes in long-term debt amounts for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2014</u>
Long-term debt:				
2002 COP's	\$ 2,150,000	-	(2,150,000)	-
2013 COP's	-	2,064,735	(136,108)	1,928,627
Total COPs payable	\$ 2,150,000	2,064,735	(2,286,108)	1,928,627

***Certificates-of-Participation – Series 2002***

On September 10, 2002, the District issued \$2,710,000 in Certificates-of-Participation – Series 2002 under a 30-year lease agreement with the California Special District Finance Corporation (Corporation).

Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year while principal payments are made on September 1<sup>st</sup> of each year, commencing September 1, 2003 with interest rates ranging from 3.650% to 5.000%. As of June 30, 2014, the District had advanced refunded this debt with the Certificates-of-Participation – Series 2013.

***Certificates-of-Participation – Series 2013***

In September 2013, the District advanced refunded the Certificates-of-Participation – Series 2002 to reduce the years of debt service by twelve-years and reduce the amount of interest expense by \$1,053,880. Principal and interest are payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> of each year, commencing March 1, 2014 with an interest rate of 2.50% as follows:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$	276,363	46,514	322,877
2016		284,036	39,553	323,589
2017		291,182	32,408	323,590
2018		298,507	25,084	323,591
2019		306,017	17,575	323,592
2020		313,716	9,877	323,593
2021		158,806	1,985	160,791
Total	\$	<u>1,928,627</u>	<u>172,996</u>	<u>2,101,623</u>
Current		<u>(276,363)</u>		
Long-term	\$	<u>1,652,264</u>		

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(6) Other Post-Employment Benefits Payable**

During the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The reporting requirements for these benefit programs as they pertain to the District are set forth below.

***Plan Description – Eligibility and Benefits***

The District pays a portion of the cost of medical and dental insurance for eligible retirees. The District will pay medical and dental insurance premiums for employees that are sixty-two or more years of age and retire from District service with a minimum of ten years of service with the District.

***Funding Policy***

The District is required to identify the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 13.0% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (by recording a liability) for the difference between the annual pay-as-you-go amount and the actuarially determined ARC cost.

***Annual Cost***

For the year ended June 30, 2014, the District's ARC cost is \$282,577. The District's net OPEB payable obligation amounted to \$898,577 for the year ended June 30, 2014. The District contributed \$8,822 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2014.

The balance at June 30, consists of the following:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 277,109	277,109	295,595
Interest on net OPEB obligation	30,800	30,056	29,877
Interest earnings on irrevocable trust balance	(57,672)	(31,806)	(10,688)
Adjustment to annual required contribution	32,340	16,636	(15,614)
Total annual OPEB expense	<u>282,577</u>	<u>291,995</u>	<u>299,170</u>
Contributions made:			
Contributions made to irrevocable trust	-	(277,109)	(295,595)
Retiree benefit payments paid from a trust	8,822	6,406	2,107
Retiree benefit payments paid outside of a trust	(8,822)	(6,406)	(2,107)
Total contributions made	<u>-</u>	<u>(277,109)</u>	<u>(295,595)</u>
Total change in net OPEB payable obligation	282,577	14,886	3,575
OPEB payable(asset) - beginning of year	<u>616,000</u>	<u>601,114</u>	<u>597,539</u>
OPEB payable(asset) - end of year	<u>\$ 898,577</u>	<u>616,000</u>	<u>601,114</u>

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(6) Other Post-Employment Benefits Payable, continued**

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

*Three-Year History of Net OPEB Obligation*

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contributions</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation Payable</b>
2014	\$ 282,577	-	0.00%	\$ 898,577
2013	291,995	277,109	94.90%	616,000
2012	299,170	295,595	98.81%	601,114

***Funded Status and Funding Progress of the Plan***

The most recent valuation (dated July 1, 2012) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,538,359. Plan assets invested in the District's irrevocable trust were \$301,349. The funded ratio of the actuarial accrued liability is 19.59%. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2011 was \$1,930,724. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 64.07%. (See Schedule at page 34)

***Actuarial Methods and Assumptions***

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2012	
Actuarial cost method	Entry age normal cost method	
Amortization method	Level percent of payroll amortization	
Remaining amortization period	28 Years as of the valuation date	
Asset valuation method	30 Year smoothed market	
Actuarial assumptions:		
Investment rate of return	5.00%	
Projected salary increase	3.00%	
Inflation - discount rate	5.00%	
Individual salary growth	District annual COLA	
Health care - trend rates	<b><u>Year</u></b>	<b><u>Percentage</u></b>
	2012	7.00%
	2013	6.00%
	2014+	5.00%



**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(7) Debt without Government Commitment**

On July 11, 2001, the District created Reassessment District No. 01-1 (Indio Community Center and Park project). On August 27, 2001, the District issued limited obligation refunding bonds in the amount of \$5,105,000, pursuant to the Refunding Act of 1984. Proceeds of the bonds were used to refund (defease) Reassessment District No. 94-1 bonds, originally issued in the principal amount of \$6,420,000, of which \$5,350,000 was outstanding when refunded. The outstanding principal of these bonds as of June 30, 2014 was \$1,400,000.

The bonds are payable from annual installments collected on regular property tax bills sent to owners of property having unpaid assessments levied against land benefited by the projects. Neither the faith, credit, nor taxing power of the District is pledged to the repayment of the bonds. Accordingly, no liability has been recorded in the financial statements.

**(8) Net Position**

Calculation of net position as of June 30, were as follows:

	<b>2014</b>
<b>Net investment in capital assets:</b>	
Capital assets – not being depreciated	\$ 3,642,044
Capital assets – being depreciated, net	8,191,744
Certificates-of-participation – current portion	(276,363)
Certificates-of-participation – noncurrent portion	(1,652,264)
<b>Total net investment in capital assets</b>	<b>9,905,161</b>
<b>Unrestricted net position:</b>	
Non-spendable net position:	
Prepaid expenses and other assets	442,585
Total non-spendable net position	442,585
Spendable net position are designated as follows:	
Six-month operating reserve	4,300,000
Capital replacement reserve	2,000,000
Reserve for specified facilities	497,854
Contingency reserve	594,905
Total spendable net position	7,392,759
<b>Total unrestricted net position</b>	<b>7,835,344</b>
<b>Total net position</b>	<b>\$ 17,740,505</b>

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(9) Fund Balance**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.C.9 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2014 is as follows:

<u>Description</u>	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Golf Center Fund</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Prepaid expenditures	\$ 433,513	-	9,072	442,585
<b>Committed:</b>				
Compensated absences	434,986	-	-	434,986
Other post-employment benefits payable	898,577	-	-	898,577
Reserve for specified facilities	-	497,854	-	497,854
Total	<u>1,333,563</u>	<u>497,854</u>	<u>-</u>	<u>1,831,417</u>
<b>Assigned:</b>				
Six-month operating reserve	4,300,000	-	-	4,300,000
Capital replacement reserve	2,000,000	-	-	2,000,000
Total	<u>6,300,000</u>	<u>-</u>	<u>-</u>	<u>6,300,000</u>
<b>Unassigned:</b>				
Contingency reserve	1,969,948	-	(1,407,616)	562,332
<b>Total fund balance</b>	<b>\$ <u>10,037,024</u></b>	<b><u>497,854</u></b>	<b><u>(1,398,544)</u></b>	<b><u>9,136,334</u></b>

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(10) Due To/From Other Funds and Transfers**

*Interfund Balances and Activities*

<b>Due from</b>	<b>Due to</b>	<b>Amount</b>
General Fund	Special Assessment	\$ 499,277
Special Assessment	General Fund	55,671
Golf Fund	General Fund	1,801,538
	Total	\$ 2,356,486

The Special Assessment Fund holds its cash balance of \$499,277 with the General Fund.

The General Fund has loaned \$55,671 to the Special Assessment Fund to cover the costs of operating specific facilities that are above the special assessments revenues received.

The General Fund has loaned \$1,801,538 to the Golf Fund to assist in the ongoing operations of the Golf Center and Golf Course.

**(11) Pension Plans**

*Full-time Employees*

Effective July 1, 2011, the District adopted the Public Agency Retirement Services (PARS) Defined Contribution Plan which has all regular full-time employees who meet the eligibility requirements are covered under the Coachella Valley Recreation and Park District Retirement Plan (Plan) administered by the District. This plan is a defined contribution deferred compensation pension plan under Code Section 401(a) of the Internal Revenue Code of 1986 (Code). The plan is fully funded by the District with a contribution rate of 10% of eligible compensation, net of non-vested portions of contributions of terminated employees (forfeitures). Charles Schwab serves as Trustee for the Plan. The employer's contributions to this plan for the fiscal year ending June 30, 2014, totaled \$171,015. Regular full-time employees are eligible for the Plan when they have been employed by the District for six months. Full-time employees are also covered under Social Security, funded equally by the District and the employees.

*Part-time, Seasonal and Temporary Employees*

Effective July 1, 2011, the District adopted the PARS FICA Alternative Retirement Plan which has part-time, seasonal and temporary employees participate in a mandatory social security replacement plan (FICA Plan), which is a non-qualified defined contribution plan under Code Section 457(b). Each member employee contributes 3.75 percent of his/her gross wages. This amount is matched by the District. The total 7.5 percent is deposited into a retirement account on behalf of each employee at Lincoln National Life Insurance Company. Employees are 100% vested in all contributions at all times. Upon termination of employment, the employee may withdraw his/her money, subject to applicable fees and penalties, or leave the balance in the FICA Plan to collect interest, subject to certain requirements. The District's contributions to this plan for the fiscal years ended June 30, 2014 totaled \$81,826.

**(12) Risk Management**

*Self-Insurance Pool Pursuant to Joint Powers Agreement*

The Desert Recreation District is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(12) Risk Management, continued**

***Self-Insurance Programs of the Authority***

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

***Liability***

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2013-2014 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

***Purchased Insurance***

***Pollution Legal Liability Insurance***

The Desert Recreation District participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Desert Recreation District. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2013 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

***Property Insurance***

The Desert Recreation District participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Desert Recreation District property is currently insured according to a schedule of covered property submitted by the Desert Recreation District to the Authority. Desert Recreation District property currently has all-risk property insurance protection in the amount of \$15,797,463. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(12) Risk Management, continued**

***Earthquake and Flood Insurance***

The Desert Recreation District purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. Desert Recreation District property currently has earthquake protection in the amount of \$14,090,810. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

***Crime Insurance***

The Desert Recreation District purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

***Special Event Tenant User Liability Insurance***

The Desert Recreation District further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the Desert Recreation District according to a schedule. The Desert Recreation District then pays for the insurance. The insurance is arranged by the Authority.

***Adequacy of Protection***

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-2014.

***Workers' Compensation***

The District is a participant in the California Association for Park and Recreation Insurance (CAPRI). CAPRI is governed by a separate board of directors, which is comprised of seven directors elected from the member districts. The board controls the operations of CAPRI, including selection of management and approval of operating budgets. The purpose of CAPRI is to arrange and administer programs of insurance and to purchase excess insurance coverage. At June 30, 2014, the District participated in the workers' compensation and of CAPRI as follows:

- Workers' compensation and employer liability insurance up to \$250,000 limits.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(13) Governmental Accounting Standards Board Statements**

**Newly Issued Accounting Pronouncements, But Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 68***

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 69***

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 71***

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2014**

**(14) Contingencies**

*Litigation*

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, other than the matter discussed above, will not materially affect its financial condition.

*Other Matters*

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2014, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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## **Required Supplementary Information**



**Desert Recreation District**  
**Budgetary Comparison Schedule – General Fund and Special Assessment Fund**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Taxes:					
Property taxes	\$ 2,109,058	6,632	2,115,690	2,179,605	63,915
Redevelopment agency pass-through	2,341,942	547,818	2,889,760	2,517,904	(371,856)
Charges for services:					
Registration and other fees	2,002,905	(107,080)	1,895,825	1,526,114	(369,711)
Facility and other rental fees	47,240	27,167	74,407	57,515	(16,892)
Intergovernmental service fees	1,400,918	(9,270)	1,391,648	1,326,981	(64,667)
Other revenues	-	-	-	47,204	47,204
Special assessments	2,421,401	-	2,421,401	2,492,928	71,527
Operating grants and contributions	26,000	-	26,000	136,642	110,642
Capital grants and contributions	219,000	28,718	247,718	5,113	(242,605)
Investment earnings	25,550	7,628	33,178	34,802	1,624
<b>Total revenues</b>	<u>10,594,014</u>	<u>501,613</u>	<u>11,095,627</u>	<u>10,324,808</u>	<u>(770,819)</u>
<b>Expenditures:</b>					
Salaries and benefits	5,522,099	(465,548)	5,056,551	4,859,408	197,143
Facilities and maintenance	2,116,695	(129,257)	1,987,438	1,748,944	238,494
Materials and services	1,205,020	(126,213)	1,078,807	988,155	90,652
Indio Community Center & Park project	473,000	-	473,000	467,353	5,647
Capital outlay	1,703,800	96,374	1,800,174	1,030,984	769,190
Principal paid	65,000	230,308	295,308	201,108	94,200
Interest paid	110,000	(68,285)	41,715	81,571	(39,856)
<b>Total expenditures</b>	<u>11,195,614</u>	<u>(462,621)</u>	<u>10,732,993</u>	<u>9,377,523</u>	<u>1,355,470</u>
<b>Excess(Deficiency) of revenues over(under) expenditures</b>	(601,600)	964,234	362,634	947,285	584,651
Other financing sources(uses):					
Cost of debt issuance	-	-	-	(175,828)	(175,828)
Net change in fund balance	(601,600)	<u>964,234</u>	362,634	771,457	<u>408,823</u>
Fund balance - beginning of year	<u>9,763,421</u>		<u>9,763,421</u>	<u>9,763,421</u>	
Fund balance - end of year	<u>\$ 9,161,821</u>		<u>10,126,055</u>	<u>10,534,878</u>	

**Notes to Required Supplementary Information**

**(1) Budgets and Budgetary Data**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors for the General Fund, Special Assessment Fund and the Golf Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts. The District's annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the General Fund, Special Assessment Fund and the Golf Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget with approved supplemental changes. The budgeted revenue amounts represent the adopted budget as originally approved.

**Desert Recreation District  
Schedule of Funding Status  
For the Fiscal Year Ended June 30, 2014**

***Funded Status and Funding Progress of the Plan***

***Required Supplemental Information – Schedule of Funding Progress***

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2009	\$ -	1,156,747	1,156,747	0.00%	\$ 2,271,613	50.92%
7/1/2012	301,349	1,538,359	1,237,010	19.59%	\$ 1,930,724	64.07%
<b>Calculation</b>		<b>Active Employees</b>	<b>Retired Employees</b>	<b>Total</b>		
Actuarial Accrued Liability – 2010	\$	<u>1,095,621</u>	<u>61,126</u>	<u>1,156,747</u>		
Actuarial Accrued Liability – 2013	\$	<u>1,484,169</u>	<u>54,190</u>	<u>1,538,359</u>		

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years, since they are funding, or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2015 based on the year ending June 30, 2014.

# **Supplementary Information**



**Desert Recreation District  
Schedule of Special Assessment Funds  
For the Fiscal Year Ended June 30, 2014**

**Special Assessment Funds – Balance Sheet**

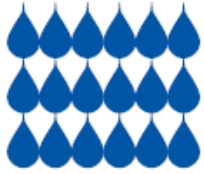
	<u>97-1</u>	<u>02-1</u>	<u>03-1</u>	<u>03-2</u>	<u>06-1</u>	<u>93-1</u>	<u>01-1</u>	<u>Total</u>
<b>Balance Sheets</b>								
<b>Assets:</b>								
Restricted – special assessments receivabl \$	24,387	716	492	-	-	55,559	82,700	163,854
Due from other funds	-	-	354,006	144,531	740	-	-	499,277
Total assets	<u>24,387</u>	<u>716</u>	<u>354,498</u>	<u>144,531</u>	<u>740</u>	<u>55,559</u>	<u>82,700</u>	<u>663,131</u>
<b>Liabilities:</b>								
Accounts payable and accrued expenses	7,461	3,257	1,915	-	-	26,149	70,824	109,606
Due to other funds	16,926	(2,541)	-	-	-	29,410	11,876	55,671
Total liabilities	<u>24,387</u>	<u>716</u>	<u>1,915</u>	<u>-</u>	<u>-</u>	<u>55,559</u>	<u>82,700</u>	<u>165,277</u>
<b>Fund balance:</b>								
Committed	-	-	352,583	144,531	740	-	-	497,854
Total fund balance	<u>-</u>	<u>-</u>	<u>352,583</u>	<u>144,531</u>	<u>740</u>	<u>-</u>	<u>-</u>	<u>497,854</u>
Total liabilities and fund balance	<u>\$ 24,387</u>	<u>716</u>	<u>354,498</u>	<u>144,531</u>	<u>740</u>	<u>55,559</u>	<u>82,700</u>	<u>663,131</u>
<b>Statement of Revenues, Expenditures and Changes in Fund Balance</b>								
<b>Revenues:</b>								
Special assessments	\$ 303,218	94,890	92,125	-	-	820,910	1,181,785	2,492,928
<b>Expenditures:</b>								
Salaries and benefits	86,900	24,275	24,353	-	-	329,190	646,233	1,110,951
Facilities and maintenance	258,513	115,060	42,158	651	-	255,278	257,987	929,647
Materials and services	23,475	7,345	2,710	-	-	102,272	285,396	421,198
Indio Community Center & Park project	-	-	-	-	-	-	467,353	467,353
Total expenditures	<u>368,888</u>	<u>146,680</u>	<u>69,221</u>	<u>651</u>	<u>-</u>	<u>686,740</u>	<u>1,656,969</u>	<u>2,929,149</u>
Excess(deficiency) of revenues over(under) expen	(65,670)	(51,790)	22,904	(651)	-	134,170	(475,184)	(436,221)
<b>Other sources:</b>								
Transfers in/(out)	65,670	51,790				(134,170)	475,184	458,474
<b>Fund balance – beginning of the year</b>	<u>-</u>	<u>-</u>	<u>329,679</u>	<u>145,182</u>	<u>740</u>	<u>-</u>	<u>-</u>	<u>475,601</u>
<b>Fund balance – end of the year</b>	<u>\$ -</u>	<u>-</u>	<u>352,583</u>	<u>144,531</u>	<u>740</u>	<u>-</u>	<u>-</u>	<u>497,854</u>

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# **Report on Compliance and Internal Controls**





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# Charles Z. Fedak & Company

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## **Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Desert Recreation District  
Indio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Desert Recreation District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 31, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**  
Cypress, California  
October 31, 2014