Desert Recreation District

Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Desert Recreation District

Board of Directors as of June 30, 2020

Name	Title	Term
Rudy Acosta	President	12/2017 - 12/2022
Joanne Gilbert	Vice President	12/2015 - 12/2020
Silvia Paz	Director	12/2017 - 12/2022
Rudy Gutierrez	Director	12/2015 - 12/2020
Laura McGalliard	Director	12/2015 - 12/2020

Desert Recreation District
Kevin Kalman, General Manager
45-305 Oasis Street
Indio, California 92201
(760) 347-3484
www.myrecreationdistrict.com

Desert Recreation District

Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Desert Recreation District
Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Table of Contents

Financial Section

Fedak & Brown LLP
Certified Public Accountants

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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, the business-type activities, and each major fund of the Desert Recreation District (District) as of and for the year ended June 30, 2020, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Desert Recreation District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 7, the required supplementary information on pages 47 and 48, 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information schedules, on pages 49 and 50, are presented for purposes of additional analysis and is not a required part 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2020, 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 pages 51 and 52.

Fedak & Brown LLP

Fedak &Brown LLP
Cypress, California
October 28, 2020

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, 2020. 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 0.43% or $112,027, from $26,249,628 to $26,361,655. See note 8 for further discussion.
- Total revenues decreased by 20.69% or $3,451,917 from $16,686,484 to $13,234,567.
- Total expenses decreased by 1.05% or $139,833 from $13,262,373 to $13,122,540.

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), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 it. Think of the District's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – 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. However, one will need to consider other non-financial factors, such as changes in the District's property tax base, to assess the *overall health* of the District.

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 46.

Government-wide Financial Analysis

Statement of Net Position

Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Total District	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Assets:						
Current assets	$ 15,562,412	15,060,420	231,704	1,525,255	15,794,116	16,585,675
Non-current assets	1,022,144	-	-	-	1,022,144	-
Capital assets, net	14,873,025	15,718,096	3,112,749	2,217,934	17,985,774	17,936,030
Total assets	31,457,581	30,778,516	3,344,453	3,743,189	34,802,034	34,521,705
Deferred outflows of resources:						
Deferred OPEB outflows	6,786	5,899	-	-	6,786	5,899
Total deferred outflows of resources	6,786	5,899	-	-	6,786	5,899
Liabilities:						
Current liabilities	976,603	1,258,792	4,892,401	4,322,737	5,869,004	5,581,529
Non-current liabilities	787,536	1,116,287	1,580,000	1,580,160	2,367,536	2,696,447
Total liabilities	1,764,139	2,375,079	6,472,401	5,902,897	8,236,540	8,277,976
Deferred inflows of resources:						
Deferred OPEB inflows	210,625	-	-	-	210,625	-
Total deferred inflows of resources	210,625	-	-	-	210,625	-
Net position:						
Net investment in capital assets	14,517,041	15,183,039	1,532,749	637,934	16,049,790	15,820,973
Restricted	1,867,292	1,812,350	-	-	1,867,292	1,812,350
Unrestricted	13,105,270	11,413,947	(4,660,697)	(2,797,642)	8,444,573	8,616,305
Total net position	$ 29,489,603	28,409,336	(3,127,948)	(2,159,708)	26,361,655	26,249,628

Government-wide Financial Analysis, continued

Statement of Net Position, continued

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $26,361,655 as of June 30, 2020.

The largest portion of the District's net position (60.88% or $16,049,790) 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 2020, the District shows a positive balance in its unrestricted net position of $8,444,573 that may be utilized in future years.

Statement of Activities

Condensed Statements of Activities

	Governmental Activities		Business-type Activities		Total District	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 3,048,838	3,656,358	202,549	245,468	3,251,387	3,901,826
Operating grants and contributions	91,084	100,002	134,837	214,292	225,921	314,294
Capital grants and contributions	982,658	3,616,305	-	-	982,658	3,616,305
General revenues:						
Property taxes	8,565,564	8,504,402	-	-	8,565,564	8,504,402
Interest earnings	194,563	94,620	9,394	18,749	203,957	113,369
Claims reimbursement	5,080	48,058	-	187,971	5,080	236,029
Other revenues	-	-	-	259	-	259
Total revenues	12,887,787	16,019,745	346,780	666,739	13,234,567	16,686,484
Expenses:						
Salaries and benefits	6,443,026	6,431,351	196,863	339,955	6,639,889	6,771,306
Facilities and maintenance	2,817,550	2,718,147	763,792	415,598	3,581,342	3,133,745
Materials and services	1,487,809	1,623,828	137,400	95,335	1,625,209	1,719,163
Depreciation expense	1,042,639	792,651	146,883	96,746	1,189,522	889,397
Interest expense	16,496	2,717	53,404	41,179	69,900	43,896
Debt issuance cost	-	-	-	80,000	-	80,000
Claims expense	-	-	-	624,866	-	624,866
Other expenses	-	-	16,678	-	16,678	-
Total expenses	11,807,520	11,568,694	1,315,020	1,693,679	13,122,540	13,262,373
Changes in net position	1,080,267	4,451,051	(968,240)	(1,026,940)	112,027	3,424,111
Net position, beginning of year	28,409,336	23,958,285	(2,159,708)	(1,132,768)	26,249,628	22,825,517
Net position, end of year	$ 29,489,603	28,409,336	(3,127,948)	(2,159,708)	26,361,655	26,249,628

Government-wide Financial Analysis, continued

Statement of Activities, continued

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 $112,027 during the fiscal year ended June 30, 2020, due to continued operations.

Total revenues decreased by 20.69% or $3,451,917 from $16,686,484 to $13,234,567, due primarily to decreases of $2,633,647 in capital grants and contributions, $650,439 in charges for services, and $230,949 in claims reimbursement.

Total expenses decreased by 1.05% or $139,833 from $13,262,373 to $13,122,540, due primarily to decreases of $624,866 in claims expense, $131,417 in salaries and benefits, and $90,104 in materials and services; which were offset by increases of $443,747 in facilities and maintenance and $300,125 in depreciation expense.

Governmental Funds Financial Analysis

The following table is a summary of the changes in fund balance for all governmental funds for the year ended June 30, 2020:

Condensed Changes in Fund Balance – Governmental Fund

	General	Special Assessment	Total Fund Balance
Fund balance, beginning of year	$ 13,185,041	908,399	14,093,440
Changes in fund balance	2,175,761	(374,837)	1,800,924
Fund balance, end of year	$ 15,360,802	533,562	15,894,364

In 2020, total fund balance increased by 12.78% or $1,800,924 to $15,894,364. The General fund increased by 16.50% or $2,175,761 to $15,360,802; and the Special Assessment fund decreased 41.26% or $374,837 to $533,562.

General Fund Budgetary Highlights

Actual expenditures for the District's General fund and Special Assessment fund were $259,010 less than budget. The variance is due primarily to the effects of facilities and maintenance of $173,186 and salaries and benefits of $164,974 less than budgeted; which were offset by the effects of materials and services of $132,863 more than budgeted. Actual revenues for the District's General fund and Special Assessment fund were less than the anticipated budget by $265,521. The variance is due primarily to the effects of capital grants and contributions of $230,946 more than budgeted.

Capital Asset Administration

	Governmental Activities		Business-type Activities		Total District	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Capital assets:						
Non-depreciable assets	$ 3,327,892	3,305,958	961,613	1,236,448	4,289,505	4,542,406
Depreciable assets	22,581,334	22,439,500	2,714,129	1,693,480	25,295,463	24,132,980
Total capital assets	25,909,226	25,745,458	3,675,742	2,929,928	29,584,968	28,675,386
Accumulated depreciation	(11,036,201)	(10,027,362)	(562,993)	(711,994)	(11,599,194)	(10,739,356)
Total capital assets, net	$ 14,873,025	15,718,096	3,112,749	2,217,934	17,985,774	17,936,030

At the end of fiscal year 2020, the District's capital assets (net of accumulated depreciation) amounted to $17,985,774. This investment in capital assets includes land, construction-in-process, land improvements, buildings and structures, machinery and equipment, and vehicles. See note 3 for further information.

Debt Administration

	Governmental Activities		Business-type Activities		Total District	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Long-term debt						
Lease payable	$ 355,984	535,057	1,580,000	1,580,000	1,935,984	2,115,057

At the end of fiscal year 2020, the District's debt consists of a lease payable with an outstanding balance of $1,935,984. See note 5 further information.

Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

Management is unaware of any other 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 there are 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, 2020

		Governmental Activities	Business-type Activities	Total
Current assets:				
Cash and cash equivalents (note 2)	$	9,925,609	-	9,925,609
Cash and cash equivalents – restricted (note 2)		429,779	-	429,779
Accounts receivable		122,872	73,975	196,847
Accrued interest receivable		19,866	-	19,866
Property taxes and assessments receivable		154,240	-	154,240
Prepaid expenses		63,580	157,729	221,309
Internal balances (note 7)		4,846,466	-	4,846,466
Total current assets		15,562,412	231,704	15,794,116
Non-current assets:				
Investments (note 2)		1,022,144	-	1,022,144
Capital assets – not being depreciated (note 3)		3,327,892	961,613	4,289,505
Capital assets – being depreciated, net (note 3)		11,545,133	2,151,136	13,696,269
Total non-current assets		15,895,169	3,112,749	19,007,918
Total assets		31,457,581	3,344,453	34,802,034
Deferred outflows of resources:				
Deferred OPEB outflows (note 6)		6,786	-	6,786
Total deferred outflows of resources	$	6,786	-	6,786

Continued on next page

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Net Position, continued
June 30, 2020

		Governmental Activities	Business-type Activities	Total
Current liabilities:				
Accounts payable and accrued expenses	$	212,451	26,954	239,405
Accrued interest payable		4,795	18,981	23,776
Accrued wages and related payables		329,648	-	329,648
Deposits and unearned revenue		148,093	-	148,093
Internal balance (note 7)		-	4,846,466	4,846,466
Long-term liabilities – due within one year:				
Compensated absences (note 4)		105,532	-	105,532
Lease obligation (note 5)		176,084	-	176,084
Total current liabilities		976,603	4,892,401	5,869,004
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences (note 4)		11,726	-	11,726
Lease obligation (note 5)		179,900	1,580,000	1,759,900
Net OPEB liability (note 6)		595,910	-	595,910
Total non-current liabilities		787,536	1,580,000	2,367,536
Total liabilities		1,764,139	6,472,401	8,236,540
Deferred inflows of resources:				
Deferred OPEB inflows (note 6)		210,625	-	210,625
Total deferred inflows of resources		210,625	-	210,625
Net position: (note 8)				
Net investment in capital assets		14,517,041	1,532,749	16,049,790
Restricted		1,867,292	-	1,867,292
Unrestricted		13,105,270	(4,660,697)	8,444,573
Total net position	$	29,489,603	(3,127,948)	26,361,655

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Recreation and park operations	$ 8,417,589	3,048,838	91,084	982,658	(4,295,009)	-	(4,295,009)
Assessment districts operations	3,373,435	-	-	-	(3,373,435)	-	(3,373,435)
Interest expense on long-term debt	16,496	-	-	-	(16,496)	-	(16,496)
Total governmental activities	11,807,520	3,048,838	91,084	982,658	(7,684,940)	-	(7,684,940)
Business-type activities:							
Golf center operations	1,298,342	202,549	134,837	-	-	(960,956)	(960,956)
Total business-type activities	1,298,342	202,549	134,837	-	-	(960,956)	(960,956)
Total	$ 13,105,862	3,251,387	225,921	982,658	(7,684,940)	(960,956)	(8,645,896)

	Governmental Activities	Business-type Activities	Total
General revenues:			
Property taxes and special assessments	$ 5,665,087	-	5,665,087
Redevelopment agency taxes	2,900,477	-	2,900,477
Interest earnings	194,563	9,394	203,957
Claims reimbursement	5,080	-	5,080
Loss on disposal of capital assets	-	(16,678)	(16,678)
Total general revenues	8,765,207	(7,284)	8,757,923
Changes in net position	1,080,267	(968,240)	112,027
Net position, beginning of year	28,409,336	(2,159,708)	26,249,628
Net position, end of year	$ 29,489,603	(3,127,948)	26,361,655

See accompanying notes to the basic financial statements

Desert Recreation District
Balance Sheet – Governmental Funds
June 30, 2020

	General	Special Assessment	Total
Assets:			
Cash and cash equivalents	$ 9,925,609	-	9,925,609
Cash and cash equivalents – restricted	429,779	-	429,779
Investments	1,022,144	-	1,022,144
Accrued interest receivable	19,866	-	19,866
Accounts receivable	122,872	-	122,872
Property taxes and assessments receivable	71,371	82,869	154,240
Prepaid expenses	63,580	-	63,580
Due from other funds (note 7)	4,301,376	545,090	4,846,466
Total assets	$ 15,956,597	627,959	16,584,556
Liabilities:			
Accounts payable and accrued expenses	$ 118,054	94,397	212,451
Accrued wages and related payables	329,648	-	329,648
Deposits and unearned revenue	148,093	-	148,093
Total liabilities	595,795	94,397	690,192
Fund balance (note 9):			
Nonspendable	63,580	-	63,580
Restricted	1,333,730	533,562	1,867,292
Committed	595,910	-	595,910
Assigned	8,926,164	-	8,926,164
Unassigned	4,441,418	-	4,441,418
Total fund balance	15,360,802	533,562	15,894,364
Total liabilities and fund balance	$ 15,956,597	627,959	16,584,556

Continued on next page

See accompanying notes to the basic financial statements

Desert Recreation District
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets
June 30, 2020

Reconciliation:

Total Fund Balance of Governmental Funds	$	15,894,364
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not in the governmental fund balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.		14,873,025
Deferred outflows of resources applicable to the consumption of resources to be used in future periods.		6,786
Interest on long-term debt is not accrued in governmental fund, 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.		(4,795)
Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(117,258)
Net other post-employment benefit obligations		(595,910)
Lease agreement		(355,984)
Deferred inflows of resources applicable to the aquisition of resources to be used in future periods.		(210,625)
Net Position of Governmental Activities	$	29,489,603

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Type Funds
For the Fiscal Year Ended June 30, 2020

	General	Special Assessment	Total
Revenues:			
Property taxes and special assessments:			
Property taxes	$ 2,791,438	-	2,791,438
Redevelopment agency taxes	2,900,477	-	2,900,477
Special assessments	-	2,873,649	2,873,649
Charges for services:			
Registration and other fees	1,227,438	-	1,227,438
Intergovernmental service fees	1,704,719	-	1,704,719
Facility and other rental revenues	73,312	-	73,312
Other revenues	43,369	-	43,369
Claims reimbursement	5,080	-	5,080
Operating grants and contributions	91,084	-	91,084
Capital grants and contributions	982,658	-	982,658
Investment earnings	194,563	-	194,563
Total revenues	10,014,138	2,873,649	12,887,787
Expenditures:			
Salaries and benefits	4,878,512	1,509,855	6,388,367
Facilities and maintenance	1,326,404	1,491,146	2,817,550
Materials and services	1,115,375	372,434	1,487,809
Capital outlay	197,567	-	197,567
Debt service:			
Principal	179,074	-	179,074
Interest	16,496	-	16,496
Total expenditures	7,713,428	3,373,435	11,086,863
Excess(Deficiency) of revenues over expenditures	2,300,710	(499,786)	1,800,924
Other financing sources(uses):			
Operating transfers in(out) (note 7)	(124,949)	124,949	-
Total other financing sources(uses)	(124,949)	124,949	-
Net change in fund balance	2,175,761	(374,837)	1,800,924
Fund balance, beginning of year	13,185,041	908,399	14,093,440
Fund balance, end of year	$ 15,360,802	533,562	15,894,364

Continued on next page

See accompanying notes to the basic financial statements.

Desert Recreation District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Reconciliation:

Net Change in Fund Balance – Total Governmental Fund	$	1,800,924
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:		
Capital outlay		197,568
Depreciation expense		(1,042,639)
Amortization and additions to deferred outflows of resources are not current financial resources and, therefore, are not reported as expenses in the governmental funds.		887
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in the governmental fund as follows:		
Compensated absences		2,680
Net other post-employment benefit obligations		152,399
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 as follows:		
Debt service principal		179,073
Amortization and additions to deferred inflows of resources are not current financial resources and, therefore, are not reported as revenues in the governmental funds.		(210,625)
Changes in Net Position of Governmental Activities	$	1,080,267

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Net Position – Enterprise Fund
June 30, 2020

	Golf Center
Current assets:	
Accounts receivable	$ 73,975
Prepaid expenses	157,729
Total current assets	231,704
Non-current assets:	
Capital assets – not being depreciated	961,613
Capital assets – being depreciated, net	2,151,136
Total non-current assets	3,112,749
Total assets	3,344,453
Current liabilities:	
Accounts payable and accrued expenses	26,954
Accrued interest payable	18,981
Advances from the governmental fund (note 7)	4,846,466
Total current liabilities	4,892,401
Non-current liabilities:	
Long-term debt – due more than one year	
Lease obligation	1,580,000
Total non-current liabilities	1,580,000
Total liabilities	6,472,401
Net position:	
Net investment in capital assets	1,532,749
Unrestricted	(4,660,697)
Total net position	$ (3,127,948)

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Enterprise Fund
For the Fiscal Year Ended June 30, 2020

		Golf Center
Operating revenues:		
Charges for services:		
Registration fees	$	186,441
Facilities and other rental revenues		7,781
Other revenues		8,327
Operating grants and contributions		134,837
Total operating revenues		337,386
Operating expenses:		
Salaries and benefits		196,863
Facilities and maintenance		763,792
Materials and services		137,400
Total operating expenses		1,098,055
Operating loss before depreciation expense		(760,669)
Depreciation expense		(146,883)
Operating loss		(907,552)
Non-operating revenues(expenses):		
Investment earnings		9,394
Interest expense		(53,404)
Loss on disposal of capital assets		(16,678)
Total non-operating revenues(expense), net		(60,688)
Changes in net position		(968,240)
Net position, beginning of year		(2,159,708)
Net position, end of year	$	(3,127,948)

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Cash Flows – Enterprise Fund
For the Fiscal Year Ended June 30, 2020

		Golf Center
Cash flows from operating activities:		
Cash received from customers	$	245,490
Cash received from operating grants		134,837
Cash paid to suppliers for goods and services		(1,098,003)
Cash paid to employees for salaries and wages		(208,320)
Net cash used in operating activities		(925,996)
Cash flows from non-capital financing activities:		
Operating transfers in		624,053
Net cash provided by non-capital financing activities		624,053
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(1,058,376)
Interest paid on long-term debt		(53,404)
Net cash used in capital and related financing activities		(1,111,780)
Cash flows from investing activities:		
Interest and dividends		11,706
Net cash provided by investing activities		11,706
Net decrease in cash and cash equivalents		(1,402,017)
Cash and cash equivalents, beginning of year		1,402,017
Cash and cash equivalents, end of year	$	-

Continued on next page

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Cash Flows – Enterprise Fund, continued
For the Fiscal Year Ended June 30, 2020

		Golf Center
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(907,552)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		146,883
Change in assets and liabilities:		
Increase(decrease) in assets:		
Accounts receivable		42,941
Prepaid expenses		(153,719)
Increases in liabilities:		
Accounts payable and accrued expenses		(43,092)
Accrued salaries and benefits		(9,856)
Compensated absences		(1,601)
Net cash used in operating activities	$	(925,996)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Desert Recreation District (District), formerly the Coachella Valley Recreation and Parks District, was formed on December 18, 1950, established under authority of the California Public Resources Code Sections 5780 et seq. The purpose of the District is to administer park facilities and provide recreation program services including sports leagues, aquatics, preschool, park maintenance, referral services, community center usage, parks, trips, and education activities.

The Cortese-Knox-Hertzberg Act (Act) of the State of California requires public services to be logical, coordinated, and orderly in development. The Local Agency Formation Commission (LAFCO) of Riverside County assisted the District in establishing a 1,800 square-mile service sphere of influence and in complying with the Act. Twelve years later the District was expanded and 30 square-miles were annexed into the District's jurisdiction. The District is governed by five elected members of the Board of Directors, each serving one electoral division.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board 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. The District has five blended component units based on the governing bodies that are substantially the same as that of the District. The District's five blended component units are as follows:

- **Assessment District 97-1, Thousand Palms Landscape and Lighting** – formed on July 23, 1997, the Thousand Palms Landscape and Lighting Assessment District provides improvements and continues 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 93-1, Coachella Valley Landscape and Lighting** – formed in 1993, pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the Streets and Highways Code (1972 Act), the Coachella Valley Landscape and Lighting District No. 93-1 authorizes the District to annually levy and collect assessments to maintain the services and improvements related hereto in the Coachella Valley area.
- **Assessment District 02-1, Coachella Landscape and Lighting** – form on June 25, 2003, the Coachella Landscape and Lighting Assessment District No. 02-1 began collecting assessments in fiscal year 2004.

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

A. Organization and Operations of the Reporting Entity, continued

- **Assessment District 03-1, Mecca Landscape and Lighting** – formed on June 25, 2003, the Mecca Landscape and Lighting Assessment District No. 03-1 began collecting assessments in fiscal year 2004.
- **Assessment District 01-1, Indio Community Center and Park Landscape and Lighting –** special assessments are levied and collected to pay for the annual operation and maintenance of the facilities, improvements, and services within Assessment District No. 01-1. Annual assessments are levied for the assessment district pursuant to the Landscape and Lighting Act of 1972, part 2 of Division 15 of the California Streets and Highways Code §22500 (1972 Act); the improvement Bond Act of 1915 Part 1 of Division 10 of the California Streets and Highways Code §8500 (1915 Act); and in compliance with the provisions of the California Constitution Article XIIID.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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. Grants 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.

Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in fund balance 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 these statements to meet the qualifications of GASB Statement No. 34.

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

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 Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the 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:

General Fund – 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.

Proprietary enterprise fund financial statements include a Statement of Fund Net Position and a Statement of Revenues, Expenses, and Changes in Fund Net Position for all proprietary funds. Proprietary funds are accounted for under the accrual basis of accounting, and revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The District reports the following major proprietary fund:

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

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities, or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District, or meets the following criteria:

a) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type;

b) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined; or

c) The entity has determined that a fund is important to the financial statement user.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncement in the current year:

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

3. Cash and Cash Equivalents

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

4. Investments and Investment Policy

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following areas:

- California Local Agency Investment Fund (LAIF)
- Riverside County Pooled Investment Fund (RCTPIF)
- Negotiable certificates of deposit
- Checking and savings account at local 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.

5. Fair Value Measurement

The District categorizes its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

6. 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

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

7. 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.

8. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, land improvements, buildings and structures, 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 fund 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:

- Land improvements 10 to 20 years
- Buildings and structures 5 to 50 years
- Machinery and equipment 3 to 20 years
- Vehicles 6 to 8 years

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.

10. Compensated Absences

The District's policy permits full-time and part-time employees to accumulate earned vacation time. Earned vacation time is accrued by each employee based on the years of employment, subject to the accrual limitations.

11. Deposits and Unearned Revenues

Deposits and unearned revenues consist of customer payment for future goods or services to be provided by the District.

12. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

13. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- **Restricted net position** – consists of external constraints placed on net position use 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** – consists of net position that does not meet the definition of *net investment in capital assets* or *restricted* components of net position.

14. Fund Balance

The governmental fund financial statements 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. The categories of fund balance are defined as follows:

- **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 or 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.

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

14. Fund Balance, continued

Fund Balance Policy

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.

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 fund 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 balance is 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.

(2) Cash and Investments

Cash and investments as of June 30, are classified as follows:

		2020
Governmental activities:		
Cash and cash equivalents	$	9,925,609
Cash and cash equivalents - restricted		429,779
Investments		1,022,144
Total governmental activities		11,377,532
Total cash and investments	$	11,377,532

(2) Cash and Investments, continued

Cash and investments as of June 30, consisted of the following:

		2020
Cash and cash equivalents:		
Cash on hand	$	500
Deposits with financial institutions		2,938,853
Total cash and cash equivalents		2,939,353
Invesmtents		
Certificate of deposit		1,022,144
California Local Agency Investment Fund		5,998,595
County of Riverside Treasurer's Pooled Investment Fund		1,414,624
Money market fund		2,816
Total investments		8,438,179
Total cash and investments	$	11,377,532

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 listed in Note 1(D)(4) to the financial statements.

California Local Agency Investment Fund

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District’s deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of $1,000.
- Withdrawals of $10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

(2) Cash and Investments, continued

Riverside County Pooled Investment Fund

The Riverside County 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 – 4800 Lemon Street, 4th Floor – Capital Markets, Riverside, CA 92506, or the Treasurer and Tax Collector's Office website at www.countytreasurer.org.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of 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 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 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 contain 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).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate 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.

(2) Cash and Investments, continued

Interest Rate Risk, continued

As of June 30, 2020, the District's investments are scheduled to mature as follows:

		Remaining Maturity (in Months)		
Investment Type	**Amount**	**12 Months Or Less**	**13 to 24 Months**	**25-60 Months**
Certificate of deposit	$ 1,022,144	-	506,276	515,868
Local Agency Investment Fund (LAIF)	5,998,595	5,998,595	-	-
Riverside Treasurer's Pool Investment Fund	1,414,624	1,414,624	-	-
Money market fund	2,816	2,816	-	-
Total	$ 8,438,179	7,416,035	506,276	515,868

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. The District's investments are rated as follows:

			Rating as of year-end	
Investment Type	**Amount**	**Minimum Legal Rating**	**Fitch's AAA-BBB+**	**Not Rated**
Certificate of deposit	$ 1,022,144	N/A	$ 1,022,144	-
Local Agency Investment Fund (LAIF)	5,998,595	N/A	-	5,998,595
Riverside Treasurer's Pool Investment Fund	1,414,624	N/A	1,414,624	-
Money market fund	2,816	N/A	-	2,816
Total	$ 8,438,179		$ 2,436,768	6,001,411

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments as of June 30, 2020.

(2) Cash and Investments, continued

Investments at Fair Value Hierarchy

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2020, are as follows:

		Fair Value Measurement at Reporting Date using:		
Description	**June 30, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Certificate of deposit	$ 1,022,144	-	1,022,144	-
Total	1,022,144	-	1,022,144	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	5,998,595			
Riverside Treasurer's Pool Investment Fund	1,414,624			
Money market fund	2,816			
Total investments at amortized cost	7,416,035			
Total investments	$ 8,438,179			

(3) Capital Assets

Governmental Activities

Change in capital assets for 2020, was as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Land	$ 1,879,247	-	-	1,879,247
Construction-in-process	1,426,711	21,934	-	1,448,645
Total non-depreciable assets	3,305,958	21,934	-	3,327,892
Depreciable assets:				
Land improvements	7,203,617	29,551	-	7,233,168
Buildings and structures	12,790,897	36,445	-	12,827,342
Machinery and equipment	1,818,631	78,741	(33,800)	1,863,572
Vehicles	626,355	30,897	-	657,252
Total depreciable assets	22,439,500	175,634	(33,800)	22,581,334
Accumulated depreciation:				
Land improvements	(2,475,211)	(370,311)	-	(2,845,522)
Buildings and structures	(6,169,204)	(476,512)	-	(6,645,716)
Machinery and equipment	(922,648)	(157,203)	33,800	(1,046,051)
Vehicles	(460,299)	(38,613)	-	(498,912)
Total accumulated depreciation	(10,027,362)	(1,042,639)	33,800	(11,036,201)
Total depreciable assets, net	12,412,138	(867,005)	-	11,545,133
Total capital assets, net	$ 15,718,096			14,873,025

(3) Capital Assets, continued

Business-type Activities

Change in capital assets for 2020, was as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Land	$ 961,613	-	-	961,613
Construction-in-process	274,835	-	(274,835)	-
Total non-depreciable assets	1,236,448	-	(274,835)	961,613
Depreciable assets:				
Land improvements	712,446	1,151,492	(263,174)	1,600,764
Buildings and structures	892,721	23,950	(20,000)	896,671
Machinery and equipment	88,313	157,769	(29,388)	216,694
Total depreciable assets	1,693,480	1,333,211	(312,562)	2,714,129
Accumulated depreciation:				
Land improvements	(404,962)	(91,074)	246,496	(249,540)
Buildings and structures	(251,214)	(37,960)	20,000	(269,174)
Machinery and equipment	(55,818)	(17,849)	29,388	(44,279)
Total accumulated depreciation	(711,994)	(146,883)	295,884	(562,993)
Total depreciable assets, net	981,486	1,186,328	(16,678)	2,151,136
Total capital assets, net	$ 2,217,934			3,112,749

(4) Compensated Absences

Governmental Activities

Changes in compensated absence for 2020, were as follows:

Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
$ 119,938	188,298	(190,978)	117,258	105,532	11,726

Business-type Activities

Changes in compensated absence for 2020, were as follows:

Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
$ 1,601	-	(1,601)	-	-	-

(5) Long-term Debt

Governmental Activities

Changes in long-term debt for 2020, were as follows:

	Balance 2019	Additions	Principal Payments	Balance 2020
Lease payable – 2018	$ 535,057	-	(179,073)	355,984
Total	535,057	-	(179,073)	355,984
Less current portion	(179,073)			(176,084)
Total non-current	$ 355,984			179,900

Business-type Activities

Changes in long-term debt for 2020, were as follows:

	Balance 2019	Additions	Principal Payments	Balance 2020
Lease payable – 2018	$ 1,580,000	-	-	1,580,000
Total	1,580,000	-	-	1,580,000
Less current portion	-			-
Total non-current	$ 1,580,000			1,580,000

Lease

In November 2018, the District entered into a lease agreement with CSDA Finance Corporation totaling \$2,207,562 at an interest rate of 3.38%. The District used \$627,562 from the funds to prepay the District's 2013 Lease Agreement. The remaining amount of \$1,580,000 from the lease is to be used for improvements to the District's Golf facilities. Lease payments are payable semi-annually on March 1st and September 1st of each year, commencing March 1, 2019. The portion of the lease used to prepay the District's 2013 Lease Agreement matures in September 2022, and the remainder matures in September 2029 as follows:

Governmental Activities

Fiscal Year	Principal	Interest	Total
2021	$ 176,084	7,472	183,556
2022	134,709	11,713	146,422
2023	45,191	10,460	55,651
Total	355,984	29,645	385,629
Current	(176,084)		
Non-current	$ 179,900		

(5) Long-term Debt

Business-type Activities

Fiscal Year	Principal	Interest	Total
2021	$ -	53,404	53,404
2022	47,377	53,404	100,781
2023	143,101	51,002	194,103
2024	194,712	45,348	240,060
2025	201,349	38,712	240,061
2026-2030	993,461	85,819	1,079,280
Total	1,580,000	327,689	1,907,689
Current	-		
Non-current	$ 1,580,000		

(6) Other Post-Employment Benefits Payable

Plan Description

The District's defined benefit OPEB plan (Plan) provides OPEB for all permanent full-time employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board of Directors has the authority to establish and amend the benefit terms and financing requirements of the Plan.

Benefits Provided

The District provides medical, dental, and vision insurance benefits for eligible retirees. Full time employees, hired before October 31, 2011, are eligible for benefits at the age of 62 or more years of age and retire from the District with a minimum of ten years of service with the District.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

	2020
Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	18
Total plan membership	21

Contributions

The District will pay 100% of the cost of the post-employment benefit plan up to $1,380 per month and are provided for the lifetime of the eligible retiree. The District funds the plan on a pay-as-you-go basis.

(6) Other Post-Employment Benefits Payable, continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Investment rate of return	5.00%, net of OPEB plan investment expense
Salary increases	3.00%
Discount rate	5.00%
Healthcare cost trend rate	5.00% for 2018 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Discount Rate

To determine discount rate, the amount of the plan's projected fiduciary net position and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

Reporting date	June 30, 2020
Measurement date	June 30, 2019
Long-term expected return of Plan investments	5.00%
Municipal Bond 20 Year High Grade rate index	3.13%
Discount rate	5.00%

(6) Other Post-Employment Benefits Payable, continued

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019	$ 1,427,495	679,186	748,309
Changes for the year:			
Service cost	47,740	-	47,740
Interest	73,496	-	73,496
Differences between expected and actual experience	(125,099)	-	(125,099)
Change in assumptions	(101,995)	-	(101,995)
Contributions – employer	-	2,210	(2,210)
Net investment income	-	48,148	(48,148)
Benefit payments	(10,767)	(10,767)	-
Administrative expense	-	(3,817)	3,817
Net change	(116,625)	35,774	(152,399)
Balance at June 30, 2020	$ 1,310,870	714,960	595,910

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (4.0%)	Discount Rate (5.0%)	1% Increase (6.0%)
Net OPEB liability	$ 803,522	595,910	425,096

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

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

	1% Decrease (5.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 5.0%)	1% Increase (7.0% decreasing to 6.0%)
Net OPEB liability	$ 438,757	595,910	735,322

(6) Other Post-Employment Benefits Payable, continued

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

For the year ended June 30, 2020, the District recognized an OPEB expense of $59,549. At June 30, 2020, the District reported deferred inflows of resources related to OPEB from the follow source:

Description		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	-	(110,206)
Change of assumptions		-	(89,853)
Net difference between projected and actual earnings on OPEB investments		6,786	(10,566)
Total	$	6,786	(210,625)

Amount reported as deferred outflows(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		Net Deferred Outflow/ (Inflow)
2021	$	(27,939)
2022		(27,939)
2023		(26,892)
2024		(29,150)
2025		(27,035)
2026-2028		(64,884)

(7) Internal Balances and Transfers

Inter-fund transfers are used to move financial resources from the General fund to and from the Golf Center fund and the Assessment fund, to absorb the operating deficit and to support the operations of each respective fund.

As of June 30, 2020, inter-fund receivables/payables between the District's funds were as follows:

Due from	Due to		Amount
Golf Center	General	$	4,846,466
General	Assessment		545,090
Transfer to General, net		$	4,301,376

For the year ended June 30, 2020, inter-fund transfers consist of the following:

Transfer from	Transfer to		Amount
General	Assessment	$	124,949

(8) Net Position

Net position as of June 30, is categorized as follows:

		Governmental Activities	Business-type Activities	2020
Net investments in capital assets:				
Capital assets – not being depreciated	$	3,327,892	961,613	4,289,505
Capital assets – being depreciated, net		11,545,133	2,151,136	13,696,269
Lease		(355,984)	(1,580,000)	(1,935,984)
Total net investment in capital assets		14,517,041	1,532,749	16,049,790
Restricted:				
Quimby fund		1,333,730	-	1,333,730
Assessment districts		533,562	-	533,562
Total restricted		1,867,292	-	1,867,292
Unrestricted		13,105,270	(4,660,697)	8,444,573
Total net position	$	29,489,603	(3,127,948)	26,361,655

(9) Fund Balance

Fund balance is presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.14 for a description of these categories).

The District's policy assigns fund balance into the following categories:

- Minimum fund balance – a minimum reserve for operations from 40% to 50% of discretionary General Fund revenues to ensure that the District has sufficient cash on hand for the first six months of the fiscal year prior to the receipt of property taxes.
- Capital asset replacement – a long-term goal to accumulate and maintain a reserve equal to 100% of accumulated depreciation.

(9) Fund Balance, continued

A detailed schedule of fund balance and their funding composition at June 30, 2020, is as follows:

Description	General Fund	Assessment Fund	Governmental Total
Nonspendable:			
Prepaid expenses	$ 63,580	-	63,580
Restricted:			
Quimby fund	1,333,730	-	1,333,730
Assessment districts	-	533,562	533,562
Total restricted	1,333,730	533,562	1,867,292
Committed:			
Net OPEB obligations	595,910	-	595,910
Assigned:			
Compensated absences	117,258	-	117,258
Minimum operating reserve	4,094,925	-	4,094,925
Capital replacement reserve	4,713,981	-	4,713,981
Total assigned	8,926,164	-	8,926,164
Unassigned:			
Operations	4,441,418	-	4,441,418
Total fund balance	$ 15,360,802	533,562	15,894,364

(10) Pension Plans

Full-time Team Member

The District's full-time employees are eligible to participate in the Desert Recreation District Defined Contribution Plan (Plan) upon completion of at least three months of service with the District, commencing on the entry date concurrent with or immediately following the satisfaction of the eligibility requirements specified in the Plan. The District contributes, on an annual basis, to a separate retirement account established for each Plan participant. The District contributes 7.5% of each participant's salary and 9.5% of the General Manager's and Assistant General Manager's salary.

The District's full-time employees are eligible to participate in a voluntary 457(b) deferred compensation plan. Eligible employees may contribute up to the plan limits. The District matches 100% up to 2.5% of employee's yearly salary in the plan. If the employee/employer matching contributions exceed plan limits for the employee, the additional amount is rolled over in the 401(a) defined contribution plan. Employer contributions for the fiscal year ending June 30, 2020, totaled $234,736.

Part-time, Seasonal, and Temporary Employees

The District's part-time, seasonal, and temporary employees are eligible to participate in the Public Agency Retirement Services Alternate Retirement System 457 Plan (PARS), which is compliant with the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) requiring that governmental employees who are not members of the District's retirement plan to be covered by Social Security or an alternate plan. PARS participants contribute 3.75% of their salary and the District contributes 3.75% of each participant's salary. Employer contributions for the fiscal year ending June 30, 2020, totaled $101,480.

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the California Joint Powers Insurance Authority (Authority), has purchased various insurance policies to manage the potential liabilities that may occur. The Authority arranges and administers programs of self-insured losses and purchases insurance coverage.

Workers' compensation and employer liability coverage are provided by the California Association for Parks & Recreation Indemnity (CAPRI), and through CAPRI, maintains excess insurance coverage. CAPRI is a joint powers authority comprised of California special districts providing coverage in return for the payment of premiums.

All risk property insurance and crime insurance are purchased from commercial insurance companies on behalf of the District. Claims administration for the liability program is provided by Carl Warren & Company. At June 30, 2020, the District participated in the liability and property programs of the Authority as follows:

- Comprehensive general and automobile liability coverage up to a combined single limit of $50 million per occurrence.
- Worker's compensation coverage up to statutory benefits; employer liability coverage of $10 million.
- All risk property insurance maintains a deductible of (a) $10,000 for building and contents, (b) 5% for optional earthquake and flood, and (c) $5,000 for optional mechanical breakdown.
- Employee theft (per loss coverage) including faithful performance of duty; forgery or alteration, including credit, debit, or charge card forgery; theft of money and securities, and robbery and safe burglary of other property inside the premises; theft of money, securities, and other property outside the premises; computer fraud; funds transfer fraud; and money orders and counterfeit money covered up to $1,000,000 with a deductible of $2,500.

The Authority investigates, values, reserves, defends, and/or settles all claims in accordance with generally accepted insurance industry practices. The Authority is not aware of any existing claims which would exceed the District's applicable coverage. For the past three years, the District had no claim that exceeded coverage limits for any of the programs indicated above. Contributions made for pooled self-insurance programs include amounts for claims which may have been incurred but not reported (IBNR).

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 84, continued

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89, continued

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(13) Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

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

(14) Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of October 28, 2020, 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 & Special Assessment Fund
For the Fiscal Year Ended June 30, 2020

Budgets and Budgetary Data

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Revenues:					
Property taxes and special assessments					
Property taxes	$ 2,810,353	-	2,810,353	2,791,438	(18,915)
Redevelopment agency taxes	2,755,088	-	2,755,088	2,900,477	145,389
Special assessments	2,892,177	-	2,892,177	2,873,649	(18,528)
Charges for services					
Registration and other fees	1,998,634	(717,184)	1,281,450	1,227,438	(54,012)
Intergovernmental service fees	2,080,301	(260,364)	1,819,937	1,704,719	(115,218)
Facilities and other rental revenues	93,972	(14,941)	79,031	73,312	(5,719)
Other revenues	46,425	(5,345)	41,080	43,369	2,289
Claims reimbursement	-	-	-	5,080	5,080
Operating grants and contributions	59,984	3,184	63,168	91,084	27,916
Capital grants and contributions	2,939,403	(2,187,691)	751,712	982,658	230,946
Investment earnings	81,600	46,670	128,270	194,563	66,293
Total revenues	15,757,937	(3,135,671)	12,622,266	12,887,787	265,521
Expenditures:					
Salaries and benefits	7,272,373	(719,032)	6,553,341	6,388,367	164,974
Facilities and maintenance	2,978,957	11,779	2,990,736	2,817,550	173,186
Materials and services	1,374,322	(19,376)	1,354,946	1,487,809	(132,863)
Capital outlay	2,408,625	(2,210,776)	197,849	197,567	282
Debt service:					
Principal	179,074	-	179,074	179,074	-
Interest	69,927	-	69,927	16,496	53,431
Total expenditures	14,283,278	(2,937,405)	11,345,873	11,086,863	259,010
Net change in fund balance	1,474,659	(198,266)	1,276,393	1,800,924	524,531
Fund balance, beginning of year	14,093,440			14,093,440	
Fund balance, end of year	$ 15,568,099			15,894,364	

Notes to Required Supplementary Information

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 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.

Desert Recreation District
Schedules of Change in District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2020
Last Ten Years*

Other Post-Employment Benefits Payable

	2020	2019	2018
Total OPEB liability			
Service cost	$ 47,740	59,120	57,398
Interest	73,496	65,463	60,104
Difference between expected and actual experience	(125,099)	-	-
Change in assumptions	(101,995)	-	-
Benefit payments	(10,767)	(12,558)	(8,106)
Net change in total OPEB liability	(116,625)	112,025	109,396
Total OPEB liability – beginning	1,427,495	1,315,470	1,206,074
Total OPEB liability – ending	$ 1,310,870	1,427,495	1,315,470
Plan fiduciary net position			
Contributions – employer	$ 2,210	-	-
Net investment income	48,148	25,775	42,465
Benefit payments	(10,767)	(12,558)	(8,106)
Administrative epxense	(3,817)	(3,901)	(5,374)
Net change in plan fiduciary net position	35,774	9,316	28,985
Total fiduciary net position – beginning	679,186	669,870	640,885
Total fiduciary net position – ending	$ 714,960	679,186	669,870
District's net OPEB liability – ending	$ 595,910	748,309	645,600
Covered-employee payroll	1,215,438	845,273	1,187,724
District's net OPEB liability as a percentage of covered-employee payroll	49.03%	88.53%	54.36%

Note to Schedule

Change in Benefit Terms – There were no changes to benefit terms for the measurement period ended June 30, 2020.

Change of Assumptions – The Municipal Bond 20-Year High Grade Rate Index decreased from 3.62% in fiscal year ended June 30, 2019 to 3.13% in fiscal year ended June 30, 2020.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Supplementary Information

Desert Recreation District
Schedule of Special Assessment Fund–
Combining Balance Sheet
June 30, 2020

		Assessment Districts					
		97-1	02-1	03-1	93-1	01-1	2020
Assets:							
Property taxes and assessments receivable	$	18,153	739	384	20,485	43,108	82,869
Due from other funds		(2,850)	7,779	537,356	32,976	(30,171)	545,090
Total assets	$	15,303	8,518	537,740	53,461	12,937	627,959
Liabilities:							
Accounts payable and accrued expenses	$	15,303	8,518	4,178	53,461	12,937	94,397
Total liabilities		15,303	8,518	4,178	53,461	12,937	94,397
Fund balance:							
Restricted		-	-	533,562	-	-	533,562
Total fund balance		-	-	533,562	-	-	533,562
Total liabilities and fund balance	$	15,303	8,518	537,740	53,461	12,937	627,959

Desert Recreation District
Schedule of Special Assessment Fund –
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

		Assessment Districts					
		97-1	02-1	03-1	93-1	01-1	2020
Revenues:							
Property taxes and special assessments							
Special assessments	$	361,578	109,547	103,966	789,726	1,508,832	2,873,649
Total revenues		361,578	109,547	103,966	789,726	1,508,832	2,873,649
Expenditures:							
Salaries and benefits		106,831	-	-	799,974	603,050	1,509,855
Facilities and maintenance		256,134	114,554	51,961	786,720	281,777	1,491,146
Materials and services		33,714	9,732	7,998	184,700	136,290	372,434
Capital outlay		-	-	-	-	-	-
Total expenditures		396,679	124,286	59,959	1,771,394	1,021,117	3,373,435
Excess(Deficiency) of revenues over expenditures		(35,101)	(14,739)	44,007	(981,668)	487,715	(499,786)
Other financing sources(uses):							
Operating transfers in(out)		35,101	14,739	-	981,668	(906,559)	124,949
Net change in fund balance		-	-	44,007	-	(418,844)	(374,837)
Fund balance, beginning of year		-	-	489,555	-	418,844	908,399
Fund balance, end of year	$	-	-	533,562	-	-	533,562

Report on Internal Controls and Compliance

Fedak & Brown LLP
Certified Public Accountants

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters 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, 2020, 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 28, 2020.

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*.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued

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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 28, 2020