

Desert Recreation District

Indio, California

Annual Financial Report

For the Fiscal Year Ended June 30, 2016



**Desert Recreation District
Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the 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, 2016, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of June 30, 2016, 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.

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 5 through 10 and the Budgetary Comparison Schedule – General and Special Assessments Funds and Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 55 and 56, respectively, are 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Combining Balance Sheets – Assessment District Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Assessment District Funds on pages 59 through 62 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Santa Ana, California
December 31, 2016



**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***

Independent Auditors' Report

To the Board of Directors
of the 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 Controller General of the United States, 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, 2016, and the related notes to the basic financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2016

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*.

To the Board of Directors
of the Desert Recreation District
Indio, California
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Purpose of this Report

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

The Purr Group, LLP

Santa Ana, California
December 31, 2016

Desert Recreation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Desert Recreation District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 8.2%, or \$1,559,020 from \$18,946,379 to \$20,505,399, as a result of this year's operations.
- Total revenues from all sources increased by 6.2%, or \$690,388 from \$11,155,007 to \$11,845,395, from the prior year, primarily due to an increase of \$105,329 in property tax revenues, \$176,185 in redevelopment agency revenues, and \$144,155 in intergovernmental service fees.
- Total expenses for the District's operations increased by 3.4% or \$337,242 from \$9,949,133 to \$10,286,375, from the prior year, primarily due to a \$229,491 increase in facilities and maintenance expense along with a \$150,847 increase in materials and services expense.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2016

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and compliance.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$20,505,399 as of June 30, 2016.

	Condensed Statements of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
ASSETS:						
Other assets	\$ 13,157,862	\$ 12,534,847	\$ (2,410,778)	\$ (2,190,998)	\$ 10,747,084	\$ 10,343,849
Capital assets, net	10,306,071	9,953,492	2,153,765	2,226,965	12,459,836	12,180,457
Total assets	23,463,933	22,488,339	(257,013)	35,967	23,206,920	22,524,306
LIABILITIES:						
Other liabilities	1,306,977	1,891,579	26,316	34,084	1,333,293	1,925,663
Long-term debt	1,368,228	1,652,264	-	-	1,368,228	1,652,264
Total liabilities	2,675,205	3,543,843	26,316	34,084	2,701,521	3,577,927
NET POSITION						
Net investment in capital assets	8,937,843	8,301,228	2,153,765	2,226,965	11,091,608	10,528,193
Restricted	559,411	528,985	-	-	559,411	528,985
Unrestricted	11,291,474	10,114,283	(2,437,094)	(2,225,082)	8,854,380	7,889,201
Total net position	\$ 20,788,728	\$ 18,944,496	\$ (283,329)	\$ 1,883	\$ 20,505,399	\$ 18,946,379

At the end of fiscal year 2016, the District shows a positive balance in its unrestricted net position of \$8,854,380 that may be utilized in future years.

Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2016

	Condensed Statements of Activities					
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
REVENUES:						
Program revenues	\$ 6,419,984	\$ 5,984,820	\$ 484,563	\$ 506,957	\$ 6,904,547	\$ 6,491,777
General revenues	4,940,848	4,663,230	-	-	4,940,848	4,663,230
Total revenues	11,360,832	10,648,050	484,563	506,957	11,845,395	11,155,007
EXPENSES:						
Salaries and benefits	4,965,329	5,066,177	293,899	258,576	5,259,228	5,324,753
Facilities and maintenance	2,268,983	2,034,974	327,370	331,888	2,596,353	2,366,862
Materials and services	1,072,908	898,721	52,306	75,646	1,125,214	974,367
Indio Community Center & Park	465,595	464,623	-	-	465,595	464,623
Depreciation expense	706,699	653,760	96,200	120,183	802,899	773,943
Interest expense	37,086	44,585	-	-	37,086	44,585
Total expenses	9,516,600	9,162,840	769,775	786,293	10,286,375	9,949,133
Change in net position	1,844,232	1,485,210	(285,212)	(279,336)	1,559,020	1,205,874
NET POSITION:						
Beginning of year	18,944,496	17,459,286	1,883	281,219	18,946,379	17,740,505
End of year	\$ 20,788,728	\$ 18,944,496	\$ (283,329)	\$ 1,883	\$ 20,505,399	\$ 18,946,379

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$1,559,020, during the fiscal year ended June 30, 2016.

Governmental Revenues

Governmental revenues:	Balance June 30, 2016	Balance June 30, 2015	Change
Taxes:			
Property taxes	\$ 2,453,434	\$ 2,348,105	\$ 105,329
Redevelopment agency	2,459,227	2,283,042	176,185
Charges for services:			
Registration and other fees	1,701,995	1,620,942	81,053
Intergovernmental service fees	1,493,442	1,349,287	144,155
Facility and other rental fees	99,750	67,471	32,279
Other revenues	47,796	44,953	2,843
Special assessments	2,537,284	2,479,940	57,344
Operating grants and contributions	207,446	158,953	48,493
Capital grants and contributions	332,271	311,921	20,350
Investment earnings	28,187	32,083	(3,896)
Total governmental revenues	\$ 11,360,832	\$ 10,696,697	\$ 664,135

Governmental revenues increased \$664,135 for the fiscal year ended June 30, 2016.

Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2016

Business-type Revenues

Business-type revenues:	Balance June 30, 2016	Balance June 30, 2015	Change
Charges for services:			
Registration and other fees	\$ 231,052	\$ 243,310	\$ (12,258)
Intergovernmental service fees	812	4,226	(3,414)
Facility and other rental fees	9,181	11,305	(2,124)
Other revenue	38,325	10,824	27,501
Operating grants and contributions	<u>205,193</u>	<u>237,292</u>	<u>(32,099)</u>
Total business-type revenues	<u>\$ 484,563</u>	<u>\$ 506,957</u>	<u>\$ (22,394)</u>

Business-type revenues decreased \$(22,394) for the fiscal year ended June 30, 2016.

Expenses

Governmental Expenses

Governmental expenses:	Balance June 30, 2016	Balance June 30, 2015	Change
Salaries and benefits	\$ 4,965,329	\$ 5,066,177	\$ (100,848)
Facilities and maintenance	2,268,983	2,034,974	234,009
Materials and services	1,072,908	898,721	174,187
Indio Community Center & Park	465,595	464,623	972
Depreciation expense	706,699	653,760	52,939
Interest expense	<u>37,086</u>	<u>44,585</u>	<u>(7,499)</u>
Total expenses	<u>\$ 9,516,600</u>	<u>\$ 9,162,840</u>	<u>\$ 353,760</u>

Governmental expenses increased \$353,760 for the fiscal year ended June 30, 2016.

Business-type Expenses

Business-type expenses:	Balance June 30, 2016	Balance June 30, 2015	Change
Salaries and benefits	\$ 293,899	\$ 258,576	\$ 35,323
Facilities and maintenance	327,370	331,888	(4,518)
Materials and services	52,306	75,646	(23,340)
Depreciation expense	<u>96,200</u>	<u>120,183</u>	<u>(23,983)</u>
Total expenses	<u>\$ 769,775</u>	<u>\$ 786,293</u>	<u>\$ (16,518)</u>

Business-type expenses decreased \$(16,518) for the fiscal year ended June 30, 2016.

Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2016

Governmental Funds Financial Analysis

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

Governmental Funds:

As of June 30, 2016, the District reported a total fund balance of \$12,452,295. An amount of \$1,772,712 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

Proprietary Funds:

As of June 30, 2016, the District reported a net position (deficit) of \$(283,329). An amount of \$(2,437,094) constitutes the District's *unrestricted net position* balance which is a deficit for the fund.

Governmental Funds Budgetary Highlights

The final budgeted expenditures for the District's Governmental Funds at year-end were \$380,757 more than actual. The variance is principally due to a decrease in expenditures for salaries and benefits and capital outlay than budgeted. Actual revenues were less than the anticipated budget by \$347,385.

Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance June 30, 2016	Balance June 30, 2015
Non-depreciable capital assets	\$ 3,094,552	\$ 2,501,049
Depreciable capital assets	17,644,176	17,270,134
Total capital assets	20,738,728	19,771,183
Accumulated depreciation	(8,278,892)	(7,590,726)
Total capital assets, net	\$ 12,459,836	\$ 12,180,457

At the end of fiscal year 2016, the District's investment in capital assets amounted to \$12,180,457 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, playground equipment, equipment and construction-in-process. Major capital asset additions during the year include various improvements and equipment purchases totaling \$1,120,612. See note 4 for further information on the District's capital assets.

Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2016

Debt Administration

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
Certificates-of-participation	\$ 1,368,228	\$ 1,652,264

In 2016, the District continued to make its debt service payments on its certificates-of-participation. See note 6 for further information on the District's long-term debt.

Economic and Other Factors Effecting Next Year's Operations and Budget

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

Contacting the District's Financial Management Team

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Desert Recreation District
Statement of Net Position
June 30, 2016

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and investments (Note 2)	\$ 10,068,604	\$ 300	\$ 10,068,904
Accrued interest receivable	7,604	-	7,604
Accounts receivable	310,420	102,943	413,363
Property taxes receivable	124,214	-	124,214
Special assessments receivable	96,127	-	96,127
Prepaid items	30,164	6,708	36,872
Internal balances (Note 3)	2,520,729	(2,520,729)	-
Capital assets – not being depreciated (Note 4)	2,132,939	961,613	3,094,552
Capital assets – being depreciated, net (Note 4)	8,173,132	1,192,152	9,365,284
Total assets	<u>23,463,933</u>	<u>(257,013)</u>	<u>23,206,920</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable and accrued expenses	420,560	16,357	436,917
Accrued salaries and benefits	102,765	4,403	107,168
Unearned revenues and deposits	182,242	-	182,242
Accrued interest payable	11,402	-	11,402
Compensated absences (Note 5)	60,308	5,556	65,864
Net other post-employment benefits obligation (Note 6)	529,700	-	529,700
Certificates-of-participation (Note 7)	1,368,228	-	1,368,228
Total liabilities	<u>2,675,205</u>	<u>26,316</u>	<u>2,701,521</u>
<u>NET POSITION</u>			
Net Position: (Note 9)			
Net investment in capital assets	8,937,843	2,153,765	11,091,608
Restricted	559,411	-	559,411
Unrestricted (deficit)	11,291,474	(2,437,094)	8,854,380
Total net position	<u>\$ 20,788,728</u>	<u>\$ (283,329)</u>	<u>\$ 20,505,399</u>

Desert Recreation District
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
Primary government:			
Governmental activities:			
Recreation and park operations	\$ 6,369,877	\$ 3,342,983	\$ 539,717
Assessment districts operations	3,109,637	2,537,284	-
Interest expense on long-term debt	37,086	-	-
Total governmental activities	9,516,600	5,880,267	539,717
Business-type activities:			
Golf center operations	769,775	279,370	205,193
Total primary government	\$ 10,286,375	\$ 6,159,637	\$ 744,910

Desert Recreation District
Statement of Activities (Continued)
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Recreation and park operations	\$ (2,487,177)	\$ -	\$ (2,487,177)
Assessment districts operations	(572,353)	-	(572,353)
Interest expense on long-term debt	(37,086)	-	(37,086)
Total governmental activities	(3,096,616)	-	(3,096,616)
Business-type activities:			
Golf center operations	-	(285,212)	(285,212)
Total primary government	(3,096,616)	(285,212)	(3,381,828)
General Revenues:			
Property taxes	2,453,434	-	2,453,434
Redevelopment agency pass-through	2,459,227	-	2,459,227
Interest earnings	28,187	-	28,187
Total general revenues	4,940,848	-	4,940,848
Change in net position	1,844,232	(285,212)	1,559,020
Net Position:			
Beginning of year	18,944,496	1,883	18,946,379
End of year	\$ 20,788,728	\$ (283,329)	\$ 20,505,399

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FUND FINANCIAL STATEMENTS

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Desert Recreation District
Balance Sheet
Governmental Funds
June 30, 2016

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Assessments Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 10,068,604	\$ -	\$ 10,068,604
Accrued interest receivable	7,604	-	7,604
Accounts receivable	310,420	-	310,420
Property taxes receivable	124,214	-	124,214
Special assessments receivable	-	96,127	96,127
Due from other funds (note 11)	4,118	578,206	582,324
Advances to golf center fund (note 3)	2,520,729	-	2,520,729
Prepaid items	30,164	-	30,164
Total assets	\$ 13,065,853	\$ 674,333	\$ 13,740,186
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 341,109	\$ 79,451	\$ 420,560
Accrued salaries and benefits	71,412	31,353	102,765
Due to other funds (note 11)	578,206	4,118	582,324
Unearned revenues and customer deposits	182,242	-	182,242
Total liabilities	1,172,969	114,922	1,287,891
Fund Balances: (note 10)			
Nonspendable	30,164	-	30,164
Restricted	-	559,411	559,411
Assigned	10,090,008	-	10,090,008
Unassigned	1,772,712	-	1,772,712
Total fund balances	11,892,884	559,411	12,452,295
Total liabilities and fund balances	\$ 13,065,853	\$ 674,333	\$ 13,740,186

Desert Recreation District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances – Total Governmental Funds	<u>\$ 12,452,295</u>
 Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	10,306,071
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. However, the statement of net position recognizes accrued interest on long-term debt based on the period of accrual.	(11,402)
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(60,308)
Net other post-employment benefits obligation	(529,700)
Certificates-of-participation	<u>(1,368,228)</u>
Total adjustments	<u>8,336,433</u>
Net Position of Governmental Activities	<u><u>\$ 20,788,728</u></u>

Desert Recreation District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Assessments Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
Property taxes	\$ 2,453,434	\$ -	\$ 2,453,434
Redevelopment agency pass-through	2,459,227	-	2,459,227
Charges for services:			
Registration and other fees	1,701,995	-	1,701,995
Intergovernmental service fees	1,493,442	-	1,493,442
Facility and other rental fees	99,750	-	99,750
Other revenues	47,796	-	47,796
Special assessments	-	2,537,284	2,537,284
Operating grants and contributions	207,446	-	207,446
Capital grants and contributions	332,271	-	332,271
Investment earnings	28,187	-	28,187
Total revenues	<u>8,823,548</u>	<u>2,537,284</u>	<u>11,360,832</u>
EXPENDITURES:			
Current:			
Salaries and benefits	4,610,638	1,031,461	5,642,099
Facilities and maintenance	977,857	1,291,126	2,268,983
Materials and services	751,452	321,455	1,072,907
Indio Community Center & Park project (note 7)	-	465,595	465,595
Capital outlay	1,059,278	-	1,059,278
Debt service:			
Principal	284,036	-	284,036
Interest	39,453	-	39,453
Total expenditures	<u>7,722,714</u>	<u>3,109,637</u>	<u>10,832,351</u>
REVENUES OVER(UNDER) EXPENDITURES	1,100,834	(572,353)	528,481
OTHER FINANCING SOURCES(USES):			
Transfers in(out) (note 11)	<u>(602,780)</u>	<u>602,780</u>	<u>-</u>
Total other financing sources(uses)	<u>(602,780)</u>	<u>602,780</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	498,054	30,427	528,481
FUND BALANCES:			
Beginning of year	<u>11,394,830</u>	<u>528,984</u>	<u>11,923,814</u>
End of year	<u>\$ 11,892,884</u>	<u>\$ 559,411</u>	<u>\$ 12,452,295</u>

Desert Recreation District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Ended June 30, 2016

Net Change in Fund Balances – Total Governmental Funds	<u>\$ 528,481</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences	11,836
Net change in net other post-employment benefits payable	664,933
Net change in accrued interest payable	2,367
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,059,278
Depreciation expense	(706,699)
Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	
	<u>284,036</u>
Total adjustments	<u>1,315,751</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,844,232</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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Desert Recreation District
Balance Sheet
Proprietary Fund
June 30, 2016

<u>ASSETS</u>	<u>Golf Center</u>
Assets:	
Cash and cash equivalents	\$ 300
Accounts receivable	102,943
Prepaid items	6,708
Capital assets – not being depreciated	961,613
Capital assets – being depreciated, net	<u>1,192,152</u>
Total assets	<u><u>\$ 2,263,716</u></u>
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Accounts payable and accrued expenses	\$ 16,357
Accrued salaries and benefits	4,403
Compensated absences	5,556
Advances from the general fund (note 3)	<u>2,520,729</u>
Total liabilities	<u>2,547,045</u>
 Net Position:	
Net investment in capital assets	2,153,765
Unrestricted (Deficit)	<u>(2,437,094)</u>
Total net position	<u>(283,329)</u>
Total liabilities and net position	<u><u>\$ 2,263,716</u></u>

Desert Recreation District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Golf Center
OPERATING REVENUES:	
Charges for services:	
Registration and other fees	\$ 231,052
Intergovernmental service fees	812
Facility and other rental fees	9,181
Other revenue	38,325
Operating grants and contributions	205,193
Total operating revenues	484,563
OPERATING EXPENSES:	
Salaries and benefits	293,899
Facilities and maintenance	327,370
Materials and services	52,306
Depreciation expense	96,200
Total operating expenses	769,775
Change in net position	(285,212)
NET POSITION:	
Beginning of year	1,883
End of year	\$ (283,329)

Desert Recreation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Golf Center
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 180,654
Cash received from operating grants	205,193
Cash payments to the general fund	(486,659)
Cash payments to suppliers for goods and services	(394,960)
Cash payments to employees for wages and benefits	(288,637)
Net cash (used in) operating activities	(784,409)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(23,000)
Net cash (used in) capital and related financing activities	(23,000)
Net (decrease) in cash and cash equivalents	(807,409)
CASH AND CASH EQUIVALENTS:	
Beginning of year	807,709
End of year	\$ 300
RECONCILIATION OF THE CHANGE IN NET POSITION TO NET CASH (USED IN) OPERATING ACTIVITIES:	
Change in net position	\$ (285,212)
Adjustments to reconcile change in net position to net cash (used in) operating activities:	
Depreciation	96,200
Change in assets – (increase)decrease:	
Accounts receivable	(98,716)
Prepaid items	(2,254)
Change in liabilities – increase(decrease):	
Accounts payable and accrued expenses	(13,030)
Accrued salaries and benefits	1,750
Compensated absences	3,512
Advances from the general fund	(486,659)
Total adjustments	(499,197)
Net cash (used in) operating activities	\$ (784,409)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Desert Recreation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

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

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

California Special District Finance Corporation (Corporation)

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

Assessment District 93-1, Coachella Valley Landscape and Lighting

The District was 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) and authorizes the District to annually levy and collect assessments to maintain the services and improvements related hereto in the Coachella Valley area.

Assessment District 97-1, Thousand Palms Landscape and Lighting

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

Assessment District 02-1, Coachella Landscape and Lighting

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Assessment District 01-1, Indio Community Center and Park Landscape and Lighting

The District annually levies and collects special assessments in order to pay debt service on bonds issued for the construction of the Indio Community Center Building and Park Site, and to provide for the annual operation and maintenance of the facilities, improvements and services within Reassessment District No. 01-1. Annual assessments are levied for this 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), and 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 XIID.

Assessment District 03-1, Mecca Landscape and Lighting

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

Assessment District 03-2, Thousand Palms Landscape and Lighting

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

Assessment District 06-1, Coachella Drainage Benefit Assessment

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

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

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

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

The District reports the following major funds:

Governmental Funds:

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

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

Proprietary Funds:

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

Use of Estimates

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

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year.

Prepaid Items

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

Compensated Absences

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Property Taxes

The County of Riverside Assessor’s Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector’s Office bills and collects the District’s share of property taxes and assessments. The County of Riverside Auditor-Controller’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 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

Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at \$500. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General 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:

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

Net Position

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

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

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

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

Fund Balance Policy

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

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounting Changes

GASB has issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement becomes effective for periods beginning after June 15, 2015.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2016 consists of the following:

Description	Balance
Cash on hand	\$ 800
Deposits held with financial institutions	2,493,678
Investments	7,574,426
Total cash and investments	\$ 10,068,904

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. At June 30, 2016, the District had no deposits with financial institutions subject to custodial credit risk.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District’s investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or external investment pools.

Interest Rate Risk

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

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.

Concentration of Credit Risk

The District’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the District’s total investments as of June 30, 2016.

<u>Investments</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2016</u>	<u>Maturity 12 Months or Less</u>
California Local Agency Investment Fund (LAIF)	Not Rated	\$ 5,591,924	\$ 5,591,924
Riverside County Pooled Investment Fund (RCPIF)	AAA/bf	1,982,502	1,982,502
Total investments		<u>\$ 7,574,426</u>	<u>\$ 7,574,426</u>

Authorized Investments and Investment Policy

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

Investments are to be made in the following areas:

External Investment Pools:

- California Local Agency Investment Fund (LAIF)
- Riverside County Treasury – Pooled Investment Fund (RCPIF)
- Non-negotiable certificates-of-deposit
- Governmental agency securities

Investment in California – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 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 entity’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. Further information about LAIF is available on the California State Controller’s website: www.treasurer.ca.gov/pmia-laif/

Investment in State of California – Local Agency Investment Fund (LAIF) (Continued)

The District’s investments with LAIF at June 30, 2016, included a portion of the pool funds invested in structured notes and asset-backed securities:

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

Investment in State of California – Local Agency Investment Fund (LAIF) (Continued)

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District has \$5,591,924 invested in LAIF, which had invested 2.81% of the pooled investment funds as of June 30, 2016 in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2016.

Riverside County Treasury – Pooled Investment Fund

The Riverside County Treasury Pooled Investment Fund (RCPIF) is a pooled investment fund program governed by the County of Riverside Board of Supervisors, and administered by the County of Riverside Treasurer and Tax Collector. Investments in RCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. RCPIF does not impose a maximum investment limit. The County’s Treasurer has indicated to the District that as of June 30, 2016 that the value of the County’s portfolio was approximately \$6.5 billion. The County of Riverside’s bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the County of Riverside Administrative Office – 4080 Lemon Street, 4th Floor – Capital Markets – Riverside, CA 92506 or the Treasurer and Tax Collector’s office website at www.countytreasurer.org

Fair Value Measurement

The entity holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the entity’s mission, the District has determined that the disclosures related to these investments only need to be aggregated by major type.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain external investment pools are exempt from the fair value measurement.

The District has the following recurring fair value measurements as of June 30, 2016:

Investments by Fair Value Level	Fair Value June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External investment pools:				
California Local Agency Investment Fund (LAIF)	\$ 5,591,924	\$ -	\$ -	\$ -
Riverside County Pooled Investment Fund (RCPIF)	1,982,502	-	-	-
Total investments	\$ 7,574,426	\$ -	\$ -	\$ -

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Internal Balances

<u>Advance from</u>	<u>Advance to</u>	<u>Amount</u>
General Fund	Golf Center Fund	\$ 2,520,729

The general fund has advanced the golf center fund \$2,520,729 as of June 30, 2016 for continuing operations and capital improvements. The golf center fund does not generate sufficient resources as a stand-alone entity or fund. The golf center fund depends on the general fund for continuing support. A repayment schedule has not been established to payback this advance.

Note 4 – Capital Assets

Changes in capital assets for the year were as follows:

Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2016</u>
Non-depreciable capital assets:				
Land	\$ 1,468,844	\$ 100,100	\$ -	\$ 1,568,944
Construction-in-process	70,592	521,711	(28,308)	563,995
Total non-depreciable capital assets	1,539,436	621,811	(28,308)	2,132,939
Depreciable capital assets:				
Land improvements	2,542,470	85,664	-	2,628,134
Buildings and structures	11,810,017	54,633	(98,933)	11,765,717
Machinery and equipment	859,307	325,478	-	1,184,785
Vehicles	468,659	-	(15,800)	452,859
Total depreciable capital assets	15,680,453	465,775	(114,733)	16,031,495
Accumulated depreciation:				
Land improvements	(1,845,883)	(121,568)	-	(1,967,451)
Buildings and structures	(4,588,986)	(432,155)	98,933	(4,922,208)
Machinery and equipment	(493,317)	(117,288)	-	(610,605)
Vehicles	(338,211)	(35,688)	15,800	(358,099)
Total accumulated depreciation	(7,266,397)	(706,699)	114,733	(7,858,363)
Total depreciable capital assets, net	8,414,056	(240,924)	-	8,173,132
Total capital assets, net	\$ 9,953,492	\$ 380,887	\$ (28,308)	\$ 10,306,071

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 4 – Capital Assets

Changes in capital assets for the year were as follows:

Business-Type Activities

	Balance July 1, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable capital assets:				
Land	\$ 961,613	\$ -	\$ -	\$ 961,613
Construction-in-process	-	-	-	-
Total non-depreciable capital assets	<u>961,613</u>	<u>-</u>	<u>-</u>	<u>961,613</u>
Depreciable capital assets:				
Land improvements	653,920	23,000	-	676,920
Buildings and structures	886,351	-	-	886,351
Machinery and equipment	49,410	-	-	49,410
Total depreciable capital assets	<u>1,589,681</u>	<u>23,000</u>	<u>-</u>	<u>1,612,681</u>
Accumulated depreciation:				
Land improvements	(217,754)	(45,043)	-	(262,797)
Buildings and structures	(80,218)	(43,722)	-	(123,940)
Machinery and equipment	(26,357)	(7,435)	-	(33,792)
Total accumulated depreciation	<u>(324,329)</u>	<u>(96,200)</u>	<u>-</u>	<u>(420,529)</u>
Total depreciable capital assets, net	<u>1,265,352</u>	<u>(73,200)</u>	<u>-</u>	<u>1,192,152</u>
Total capital assets, net	<u>\$ 2,226,965</u>	<u>\$ (73,200)</u>	<u>\$ -</u>	<u>\$ 2,153,765</u>

Note 5 – Compensated Absences

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

Changes in compensated absences balances for the year were as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
\$ 74,188	\$ 97,126	\$ (105,450)	\$ 65,864

Note 6 – Certificates-of-Participation

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

Long-Term Debt	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
2013 Certificates-of-participation	\$ 1,652,264	\$ -	\$ (284,036)	\$ 1,368,228

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Certificates-of-Participation (Continued)

Certificates-of-Participation – Series 2013

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	291,182	32,408	323,590
2018	298,507	25,084	323,591
2019	306,017	17,575	323,592
2020	313,716	9,877	323,593
2021	158,806	1,985	160,791
Total	<u>\$ 1,368,228</u>	<u>\$ 86,929</u>	<u>\$ 1,455,157</u>

Note 7 – Net Other Post-Employment Benefits Obligation

Plan Description – Eligibility and Benefits

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

Funding Policy

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

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

Annual Cost

With the reduction of staff over the past 5-years who would have qualified for the OPEB benefit upon retirement, the District's OPEB actuarial valuation reduced the net other post-employment benefits obligation to \$529,700.

For the year ended June 30, 2016, the District's Annual OPEB cost was (\$664,933). The District's net OPEB obligation amounted to \$529,700 for the year ended June 30, 2016. The District's contributions were \$0 for the year ended June 30, 2016.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Net Other Post-Employment Benefits Payable (Continued)

The OPEB payable balance at June 30th was calculated as follows:

Description	2016
Annual OPEB cost:	
Annual required contribution (ARC)	\$ 144,523
Interest on beginning net OPEB obligation	59,732
Adjustment to annual required contribution	(869,188)
Total annual OPEB cost	(664,933)
Contributions made:	
Contributions made	-
Total contributions made	-
Change in net other post-employment benefits payable	(664,933)
Net other post-employment benefits payable:	
Beginning of year	1,194,633
End of year	\$ 529,700

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
June 30, 2016	\$ (664,933)	\$ -	0.00%	\$ 529,700
June 30, 2015	322,038	25,982	8.07%	1,194,633
June 30, 2014	307,909	25,332	8.23%	898,577

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$529,700. The funded ratio of the actuarial accrued liability is 54.79%. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was \$1,600,220. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 33.10%. (See Schedule on page 54)

Actuarial Methods and Assumptions

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Other Post-Employment Benefits Obligation (Continued)

Actuarial Methods and Assumptions (Continued)

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

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

Valuation date	July 1, 2015										
Actuarial cost method	Entry age normal cost method										
Amortization method	Level percent of payroll amortization										
Remaining amortization period	24 Years as of the valuation date										
Asset valuation method	30 Year smoothed market										
Actuarial assumptions:											
Investment rate of return	5.00%										
Inflation - discount rate	5.00%										
Individual salary growth	District annual COLA										
Health care trend rate											
	<table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Year</u></th> <th style="text-align: center;"><u>Percentage</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2015</td> <td style="text-align: center;">8.00%</td> </tr> <tr> <td style="text-align: center;">2016</td> <td style="text-align: center;">7.00%</td> </tr> <tr> <td style="text-align: center;">2017</td> <td style="text-align: center;">6.00%</td> </tr> <tr> <td style="text-align: center;">2018+</td> <td style="text-align: center;">5.00%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Percentage</u>	2015	8.00%	2016	7.00%	2017	6.00%	2018+	5.00%
<u>Year</u>	<u>Percentage</u>										
2015	8.00%										
2016	7.00%										
2017	6.00%										
2018+	5.00%										

Note 8 – Debt without Government Commitment

On July 11, 2001, the District created Reassessment District No. 01-1 (Indio Community Center and Park project). On August 27, 2001, the District issued limited obligation refunding bonds in the amount of \$5,105,000, pursuant to the Refunding Act of 1984. Proceeds of the bonds were used to refund (defeased) Reassessment District No. 94-1 bonds, originally issued in the principal amount of \$6,420,000, of which \$5,350,000 was outstanding when refunded. The outstanding principal of these bonds as of June 30, 2016 was \$450,000.

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Position

Net position as of June 30, 2016 was as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets:			
Capital assets – not being depreciated	\$ 2,132,939	\$ 961,613	\$ 3,094,552
Capital assets – being depreciated, net	8,173,132	1,192,152	9,365,284
Certificates-of-participation	(1,368,228)	-	(1,368,228)
Total net investment in capital assets	\$ 8,937,843	\$ 2,153,765	\$ 11,091,608
Restricted net position:			
Assessment districts	\$ 559,411	\$ -	\$ 559,411

Note 10 – Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2016 is as follows:

Description	General Fund	Special Assessment Fund	Total Governmental Funds
Nonspendable:			
Prepaid expenditures	\$ 30,164	\$ -	\$ 30,164
Restricted:			
Assessment districts	-	559,411	559,411
Assigned:			
Compensated absences	60,308	-	60,308
Net other post-employment benefits payable	529,700	-	529,700
Six-month operating reserve	6,000,000	-	6,000,000
Capital replacement reserve	3,500,000	-	3,500,000
Total assigned	10,090,008	-	10,090,008
Unassigned	1,772,712	-	1,772,712
Total fund balances	\$ 11,892,884	\$ 559,411	\$ 12,452,295

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Due To/From Other Funds and Transfers

Interfund Balances and Transfers

Due from	Due to	Amount
General Fund	Special Assessment Fund	\$ 578,206
Special Assessment Fund	General Fund	4,118
	Total	\$ 582,324
Transfer from	Transfer to	Amount
General Fund	Special Assessment Fund	\$ 602,780

The Special Assessment Fund holds its cash balance of \$578,206 with the General Fund.

The General Fund has loaned \$4,118 to the Special Assessment Fund to cover the costs of operating specific facilities that are above the special assessments revenues received.

The General Fund has transferred \$602,780 to the Special Assessment Fund to cover the costs of operating specific facilities that are above the special assessments revenues received.

Note 12 – Defined Contribution Plans

Full-time Employees

Effective July 1, 2011, the District adopted the Public Agency Retirement Services (PARS) Defined Contribution Plan which has all regular full-time employees who meet the eligibility requirements are covered under the Coachella Valley Recreation and Park District Retirement Plan (Plan) administered by the District. This plan is a defined contribution deferred compensation pension plan under Code Section 401(a) of the Internal Revenue Code of 1986 (Code). The plan is fully funded by the District with a contribution rate of 10% of eligible compensation, net of non-vested portions of contributions of terminated employees (forfeitures). Charles Schwab serves as Trustee for the Plan. The employer's contributions to this plan for the fiscal year ended June 30, 2016, totaled \$164,900. Regular full-time employees are eligible for the Plan when they have been employed by the District for six months. Full-time employees are also covered under Social Security, funded equally by the District and the employees.

Part-time, Seasonal and Temporary Employees

Effective July 1, 2011, the District adopted the PARS FICA Alternative Retirement Plan which has part-time, seasonal and temporary employees participate in a mandatory social security replacement plan (FICA Plan), which is a non-qualified defined contribution plan under Code Section 457(b). Each member employee contributes 3.75 percent of his/her gross wages. This amount is matched by the District. The total 7.5 percent is deposited into a retirement account on behalf of each employee at Lincoln National Life Insurance Company. Employees are 100% vested in all contributions at all times. Upon termination of employment, the employee may withdraw his/her money, subject to applicable fees and penalties, or leave the balance in the FICA Plan to collect interest, subject to certain requirements. The District's contributions to this plan for the fiscal year ended June 30, 2016 totaled \$89,264.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 13 – Risk Management

Self-Insurance Pool Pursuant to Joint Powers Agreement

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

Self-Insurance Programs of the Authority

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

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

Liability

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

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 13 – Risk Management (Continued)

Purchased Insurance:

Pollution Legal Liability Insurance

The Desert Recreation District participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Desert Recreation District. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2015 through July 1, 2016. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

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

Earthquake and Flood Insurance

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

Crime Insurance

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

Special Event Tenant User Liability Insurance

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

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2015-2016.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 13 – Risk Management (Continued)

Workers' Compensation

The District is a participant in the California Association for Park and Recreation Insurance (CAPRI). CAPRI is governed by a separate board of directors, which is comprised of seven directors elected from the member districts. The board controls the operations of CAPRI, including selection of management and approval of operating budgets. The purpose of CAPRI is to arrange and administer programs of insurance and to purchase excess insurance coverage. At June 30, 2016, the District participated in the workers' compensation and of CAPRI as follows:

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

Note 14 – Contingencies

Litigation

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Desert Recreation District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General and Special Assessments Funds
For the Year Ended June 30, 2016

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual	Variance Positive (Negative)
REVENUES:					
Taxes:					
Property taxes	\$ 2,289,216	\$ -	\$ 2,289,216	\$ 2,453,434	\$ 164,218
Redevelopment agency pass-through	2,195,936	238,111	2,434,047	2,459,227	25,180
Charges for services:					
Registration and other fees	1,872,894	(11,392)	1,861,502	1,701,995	(159,507)
Intergovernmental service fees	1,551,843	30,731	1,582,574	1,493,442	(89,132)
Facility and other rental fees	105,977	23,493	129,470	99,750	(29,720)
Other revenues	-	-	-	47,796	47,796
Special assessments	2,478,670	27,000	2,505,670	2,537,284	31,614
Operating grants and contributions	550,393	(18,537)	531,856	207,446	(324,410)
Capital grants and contributions	659,000	(302,618)	356,382	332,271	(24,111)
Investment earnings	17,500	-	17,500	28,187	10,687
Total revenues	11,721,429	(13,212)	11,708,217	11,360,832	(347,385)
EXPENDITURES:					
Current:					
Salaries and benefits	5,917,904	(313,216)	5,604,688	5,642,099	(37,411)
Facilities and maintenance	2,664,454	(112,169)	2,552,285	2,268,983	283,302
Materials and services	1,209,121	(203,802)	1,005,319	1,072,907	(67,588)
Indio Community Center & Park project	465,000	-	465,000	465,595	(595)
Capital outlay	1,961,630	(699,304)	1,262,326	1,059,278	203,048
Debt service:					
Principal	276,362	7,675	284,037	284,036	1
Interest	46,887	(7,434)	39,453	39,453	-
Total expenditures	12,541,358	(1,328,250)	11,213,108	10,832,351	380,757
REVENUES OVER(UNDER)EXPENDITURES	(819,929)	1,315,038	495,109	528,481	33,372
OTHER FINANCING SOURCES(USES):					
Transfers in(out)	-	-	-	-	-
Total other financing sources(uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(819,929)	\$ 1,315,038	495,109	528,481	\$ 33,372
FUND BALANCES:					
Beginning of year	11,923,814		11,923,814	11,923,814	
End of year	<u>\$ 11,103,885</u>		<u>\$ 12,418,923</u>	<u>\$ 12,452,295</u>	

Notes to the Budgetary Comparison Schedule:

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
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employments Benefits Plan
For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ 642,000	\$ 1,171,700	\$ 529,700	54.79%	\$ 1,600,220	33.10%
July 1, 2012	\$ 301,349	\$ 1,538,359	\$ 1,237,010	19.59%	\$ 1,930,724	64.07%
July 1, 2009	-	\$ 1,156,747	\$ 1,156,747	0.00%	\$ 2,271,613	50.92%

Note 1 – Other Post-Employment Benefits

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement No. 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.

SUPPLEMENTARY INFORMATION

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**Desert Recreation District
Combining Balance Sheets
Assessment District Funds
June 30, 2016**

<u>ASSETS</u>	<u>Assessment Districts</u>			
	<u>97-1</u>	<u>02-1</u>	<u>03-1</u>	<u>03-2</u>
Assets:				
Special assessments receivable	\$ 23,467	\$ 1,197	\$ -	\$ -
Due from other funds	-	1,599	414,385	144,531
Total assets	<u>\$ 23,467</u>	<u>\$ 2,796</u>	<u>\$ 414,385</u>	<u>\$ 144,531</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 19,349	\$ 2,796	\$ 245	\$ -
Due to other funds	4,118	-	-	-
Total liabilities	<u>23,467</u>	<u>2,796</u>	<u>245</u>	<u>-</u>
Fund balances:				
Restricted	-	-	414,140	144,531
Total fund balances	<u>-</u>	<u>-</u>	<u>414,140</u>	<u>144,531</u>
Total liabilities and fund balances	<u>\$ 23,467</u>	<u>\$ 2,796</u>	<u>\$ 414,385</u>	<u>\$ 144,531</u>

Desert Recreation District
Combining Balance Sheets (Continued)
Assessment District Funds
June 30, 2016

<u>ASSETS</u>	<u>Assessment Districts</u>			<u>Total</u>
	<u>06-1</u>	<u>93-1</u>	<u>01-1</u>	
Assets:				
Special assessments receivable	\$ -	\$ 30,779	\$ 40,684	\$ 96,127
Due from other funds	740	8,205	8,746	578,206
Total assets	<u>\$ 740</u>	<u>\$ 38,984</u>	<u>\$ 49,430</u>	<u>\$ 674,333</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ 38,984	\$ 49,430	\$ 110,804
Due to other funds	-	-	-	4,118
Total liabilities	<u>-</u>	<u>38,984</u>	<u>49,430</u>	<u>114,922</u>
Fund balances:				
Restricted	740	-	-	559,411
Total fund balances	<u>740</u>	<u>-</u>	<u>-</u>	<u>559,411</u>
Total liabilities and fund balances	<u>\$ 740</u>	<u>\$ 38,984</u>	<u>\$ 49,430</u>	<u>\$ 674,333</u>

Desert Recreation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Assessment District Funds
For the Year Ended June 30, 2016

	Assessment Districts			
	97-1	02-1	03-1	03-2
REVENUES:				
Special assessments:	\$ 314,782	\$ 97,540	\$ 92,563	\$ -
Total revenues	<u>314,782</u>	<u>97,540</u>	<u>92,563</u>	<u>-</u>
EXPENDITURES:				
Salaries and benefits	109,133	17,050	16,996	-
Facilities and maintenance	305,829	104,451	37,088	-
Materials and services	23,151	35,832	8,052	-
Indio Community Center & Park project	-	-	-	-
Total expenditures	<u>438,113</u>	<u>157,333</u>	<u>62,136</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(123,331)</u>	<u>(59,793)</u>	<u>30,427</u>	<u>-</u>
OTHER FINANCING SOURCES(USES):				
Transfers in(out)	123,331	59,793	-	-
Total other financing sources(uses)	<u>123,331</u>	<u>59,793</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	30,427	-
FUND BALANCES:				
Beginning of year	-	-	383,713	144,531
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414,140</u>	<u>\$ 144,531</u>

Desert Recreation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Assessment District Funds (Continued)
For the Year Ended June 30, 2016

	Assessment Districts			Total
	06-1	93-1	01-1	
REVENUES:				
Special assessments:	\$ -	\$ 801,077	\$ 1,231,322	\$ 2,537,284
Total revenues	-	801,077	1,231,322	2,537,284
EXPENDITURES:				
Salaries and benefits	-	197,644	690,638	1,031,461
Facilities and maintenance	-	499,389	344,369	1,291,126
Materials and services	-	91,104	163,316	321,455
Indio Community Center & Park project	-	-	465,595	465,595
Total expenditures	-	788,137	1,663,918	3,109,637
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	12,940	(432,596)	(572,353)
OTHER FINANCING SOURCES(USES):				
Transfers in(out)	-	(12,940)	432,596	602,780
Total other financing sources(uses)	-	(12,940)	432,596	602,780
NET CHANGE IN FUND BALANCE	-	-	-	30,427
FUND BALANCES:				
Beginning of year	740	-	-	528,984
End of year	\$ 740	\$ -	\$ -	\$ 559,411