

Desert Recreation District

Indio, California

Annual Financial Report

For the Fiscal Year Ended June 30, 2017



**Desert Recreation District
Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

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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, 2017, 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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

To the Board of Directors
of the Desert Recreation District
Indio, California

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 January 24, 2018, 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
January 24, 2018



**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, 2017, 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 January 24, 2018

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

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.

A handwritten signature in black ink that reads "The Park Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
January 24, 2018

Desert Recreation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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, 2017. 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 5.0%, or \$1,039,808 from \$20,505,399 to \$21,545,207, as a result of this year's operations.
- Total revenues from all sources increased by 6.7%, or \$ from \$11,845,395 to \$12,641,954, from the prior year, primarily due to an increase of \$125,092 in property tax revenues, \$52,820 in redevelopment agency tax revenues, \$122,649 in intergovernmental service fees, and \$313,538 in special assessment revenue.
- Total expenses for the District's operations increased by 12.8% or \$1,315,771 from \$10,286,375 to \$11,602,146, from the prior year, primarily due to a \$1,098,779 increase in salaries and benefits expense along with a \$178,409 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, 2017

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 \$21,545,207 as of June 30, 2017.

Condensed Statements of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Assets:						
Current assets	\$ 13,801,672	\$ 13,157,862	\$ (2,667,985)	\$ (2,410,778)	\$ 11,133,687	\$ 10,747,084
Capital assets, net	10,627,464	10,306,071	2,074,717	2,153,765	12,702,181	12,459,836
Total assets	24,429,136	23,463,933	(593,268)	(257,013)	23,835,868	23,206,920
Liabilities:						
Current liabilities	914,145	1,044,336	37,086	24,094	951,231	1,068,430
Non-current liabilities	1,337,154	1,630,869	2,276	2,222	1,339,430	1,633,091
Total liabilities	2,251,299	2,675,205	39,362	26,316	2,290,661	2,701,521
Net position:						
Net investment in capital assets	9,550,418	8,937,843	2,074,717	2,153,765	11,625,135	11,091,608
Restricted	397,391	559,411	-	-	397,391	559,411
Unrestricted	12,230,028	11,291,474	(2,707,347)	(2,437,094)	9,522,681	8,854,380
Total net position	\$ 22,177,837	\$ 20,788,728	\$ (632,630)	\$ (283,329)	\$ 21,545,207	\$ 20,505,399

At the end of fiscal year 2017, the District shows a positive balance in its unrestricted net position of \$9,522,681 that may be utilized in future years.

Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2017

Condensed Statements of Activities						
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues:						
Program revenues	\$ 7,009,439	\$ 6,419,984	\$ 468,230	\$ 484,563	\$ 7,477,669	\$ 6,904,547
General revenues	5,164,285	4,940,848	-	-	5,164,285	4,940,848
Total revenues	12,173,724	11,360,832	468,230	484,563	12,641,954	11,845,395
Expenses:						
Salaries and benefits	6,039,696	4,965,329	318,311	293,899	6,358,007	5,259,228
Facilities and maintenance	2,265,790	2,268,983	365,075	327,370	2,630,865	2,596,353
Materials and services	1,266,268	1,072,908	37,355	52,306	1,303,623	1,125,214
Indio Community Center & Park	460,350	465,595	-	-	460,350	465,595
Depreciation expense	722,620	706,699	96,790	96,200	819,410	802,899
Interest expense	29,891	37,086	-	-	29,891	37,086
Total expenses	10,784,615	9,516,600	817,531	769,775	11,602,146	10,286,375
Change in net position	1,389,109	1,844,232	(349,301)	(285,212)	1,039,808	1,559,020
Net position:						
Beginning of year	20,788,728	18,944,496	(283,329)	1,883	20,505,399	18,946,379
End of year	\$ 22,177,837	\$ 20,788,728	\$ (632,630)	\$ (283,329)	\$ 21,545,207	\$ 20,505,399

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 \$1,039,808, during the fiscal year ended June 30, 2017.

Governmental Revenues

Governmental revenues:	Balance June 30, 2017	Balance June 30, 2016	Change
Taxes:			
Property taxes	\$ 2,578,526	\$ 2,453,434	\$ 125,092
Redevelopment agency	2,512,047	2,459,227	52,820
Charges for services:			
Registration and other fees	1,745,928	1,701,995	43,933
Intergovernmental service fees	1,616,091	1,493,442	122,649
Facility and other rental fees	75,782	99,750	(23,968)
Other revenues	69,891	47,796	22,095
Special assessments	2,850,822	2,537,284	313,538
Operating grants and contributor	220,837	207,446	13,391
Capital grants and contributions	430,088	332,271	97,817
Investment earnings	73,712	28,187	45,525
Total governmental revenues	\$ 12,173,724	\$ 11,360,832	\$ 812,892

Governmental revenues increased \$812,892 for the fiscal year ended June 30, 2017.

Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2017

Business-type Revenues

Business-type revenues:	Balance	Balance	Change
	June 30, 2017	June 30, 2016	
Charges for services:			
Registration and other fees	\$ 217,792	\$ 231,052	\$ (13,260)
Intergovernmental service fees	300	812	(512)
Facility and other rental fees	12,494	9,181	3,313
Other revenue	26,728	38,325	(11,597)
Operating grants and contributor	210,916	205,193	5,723
Total business-type revenues	\$ 468,230	\$ 484,563	\$ (16,333)

Business-type revenues decreased \$(16,333) for the fiscal year ended June 30, 2017.

Expenses

Governmental Expenses

Governmental expenses:	Balance	Balance	Change
	June 30, 2017	June 30, 2016	
Salaries and benefits	\$ 6,039,696	\$ 4,965,329	\$ 1,074,367
Facilities and maintenance	2,265,790	2,268,983	(3,193)
Materials and services	1,266,268	1,072,908	193,360
Indio Community Center & Park	460,350	465,595	(5,245)
Depreciation expense	722,620	706,699	15,921
Interest expense	29,891	37,086	(7,195)
Total expenses	\$ 10,784,615	\$ 9,516,600	\$ 1,268,015

Governmental expenses increased \$1,268,015 for the fiscal year ended June 30, 2017.

Business-type Expenses

Business-type expenses:	Balance	Balance	Change
	June 30, 2017	June 30, 2016	
Salaries and benefits	\$ 318,311	\$ 293,899	\$ 24,412
Facilities and maintenance	365,075	327,370	37,705
Materials and services	37,355	52,306	(14,951)
Depreciation expense	96,790	96,200	590
Total expenses	\$ 817,531	\$ 769,775	\$ 47,756

Business-type expenses increased \$47,756 for the fiscal year ended June 30, 2017.

**Desert Recreation District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Fiscal Year Ended June 30, 2017**

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, 2017, the District reported a total fund balance of \$13,238,381. An amount of \$1,000,000 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

Proprietary Funds:

As of June 30, 2017, the District reported a net position (deficit) of \$(632,630). An amount of \$(2,707,347) 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 \$(191) less than actual. Actual revenues were more than the final anticipated budget by \$265,902.

Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance June 30, 2017	Balance June 30, 2016
Non-depreciable capital assets	\$ 3,305,110	\$ 3,094,552
Depreciable capital assets	18,452,802	17,644,177
Total capital assets	21,757,912	20,738,729
Accumulated depreciation	(9,055,731)	(8,278,892)
Total capital assets, net	\$ 12,702,181	\$ 12,459,837

At the end of fiscal year 2017, the District's investment in capital assets amounted to \$12,702,181 (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 \$779,873. 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, 2017

Debt Administration

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Balance</u> <u>June 30, 2016</u>
Certificates-of-participation	\$ 1,077,046	\$ 1,368,228

In 2017, 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, 2017

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash and investments (Note 2)	\$ 10,321,696	\$ 300	\$ 10,321,996
Accrued interest receivable	14,028	-	14,028
Accounts receivable	126,290	103,753	230,043
Property taxes receivable	128,696	-	128,696
Special assessments receivable	96,418	-	96,418
Prepaid items	332,034	10,472	342,506
Internal balances (Note 3)	2,782,510	(2,782,510)	-
Total current assets	<u>13,801,672</u>	<u>(2,667,985)</u>	<u>11,133,687</u>
Non-current assets:			
Capital assets – not being depreciated (Note 4)	2,343,497	961,613	3,305,110
Capital assets – being depreciated, net (Note 4)	8,283,967	1,113,104	9,397,071
Total non-current assets	<u>10,627,464</u>	<u>2,074,717</u>	<u>12,702,181</u>
Total assets	<u>24,429,136</u>	<u>(593,268)</u>	<u>23,835,868</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	357,603	29,355	386,958
Accrued salaries and benefits	116,534	4,316	120,850
Unearned revenues and deposits	89,154	-	89,154
Accrued interest payable	8,975	-	8,975
Long-term liabilities – due within one year:			
Compensated absences (Note 5)	43,372	3,415	46,787
Certificates-of-participation (Note 6)	298,507	-	298,507
Total current liabilities	<u>914,145</u>	<u>37,086</u>	<u>951,231</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (Note 5)	28,915	2,276	31,191
Net other post-employment benefits obligation (Note 7)	529,700	-	529,700
Certificates-of-participation (Note 6)	778,539	-	778,539
Total non-current liabilities	<u>1,337,154</u>	<u>2,276</u>	<u>1,339,430</u>
Total liabilities	<u>2,251,299</u>	<u>39,362</u>	<u>2,290,661</u>
<u>NET POSITION</u>			
Net investment in capital assets (Note 9)	9,550,418	2,074,717	11,625,135
Restricted (Note 10)	397,391	-	397,391
Unrestricted (deficit)	12,230,028	(2,707,347)	9,522,681
Total net position	<u>\$ 22,177,837</u>	<u>\$ (632,630)</u>	<u>\$ 21,545,207</u>

Desert Recreation District
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital and Operating Grants</u>
Primary government:			
Governmental activities:			
Recreation and park operations	\$ 7,196,505	\$ 3,507,692	\$ 650,925
Assessment districts operations	3,558,219	2,850,822	-
Interest expense on long-term debt	29,891	-	-
Total governmental activities	<u>10,784,615</u>	<u>6,358,514</u>	<u>650,925</u>
Business-type activities:			
Golf center operations	817,531	257,314	210,916
Total business-type activities	<u>817,531</u>	<u>257,314</u>	<u>210,916</u>
Total primary government	<u>\$ 11,602,146</u>	<u>\$ 6,615,828</u>	<u>\$ 861,841</u>

Desert Recreation District
Statement of Activities (Continued)
For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary government:			
Governmental activities:			
Recreation and park operations	\$ (3,037,888)	\$ -	\$ (3,037,888)
Assessment districts operations	(707,397)	-	(707,397)
Interest expense on long-term debt	(29,891)	-	(29,891)
Total governmental activities	<u>(3,775,176)</u>	<u>-</u>	<u>(3,775,176)</u>
Business-type activities:			
Golf center operations	-	(349,301)	(349,301)
Total business-type activities	<u>-</u>	<u>(349,301)</u>	<u>(349,301)</u>
Total primary government	<u>(3,775,176)</u>	<u>(349,301)</u>	<u>(4,124,477)</u>
General Revenues:			
Property taxes	2,578,526	-	2,578,526
Redevelopment agency taxes	2,512,047	-	2,512,047
Interest earnings	73,712	-	73,712
Total general revenues	<u>5,164,285</u>	<u>-</u>	<u>5,164,285</u>
Change in net position	1,389,109	(349,301)	1,039,808
Net Position:			
Beginning of year	20,788,728	(283,329)	20,505,399
End of year	<u>\$ 22,177,837</u>	<u>\$ (632,630)</u>	<u>\$ 21,545,207</u>

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FUND FINANCIAL STATEMENTS

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Desert Recreation District
Balance Sheet
Governmental Funds
June 30, 2017

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Assessments Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 10,321,696	\$ -	\$ 10,321,696
Accrued interest receivable	14,028	-	14,028
Accounts receivable	126,290	-	126,290
Property taxes receivable	128,696	-	128,696
Special assessments receivable	-	96,418	96,418
Due from other funds (Note 12)	-	478,983	478,983
Advances to golf center fund (Note 3)	2,782,510	-	2,782,510
Prepaid items	332,034	-	332,034
Total assets	\$ 13,705,254	\$ 575,401	\$ 14,280,655
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 203,880	\$ 153,723	\$ 357,603
Accrued salaries and benefits	92,247	24,287	116,534
Due to other funds (Note 12)	478,983	-	478,983
Unearned revenues and customer deposits	89,154	-	89,154
Total liabilities	864,264	178,010	1,042,274
 Fund balance: (Note 11)			
Nonspendable	332,034	-	332,034
Restricted	-	397,391	397,391
Assigned	11,508,956	-	11,508,956
Unassigned	1,000,000	-	1,000,000
Total fund balance	12,840,990	397,391	13,238,381
Total liabilities and fund balance	\$ 13,705,254	\$ 575,401	\$ 14,280,655

Desert Recreation District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances – Total Governmental Funds	<u>\$ 13,238,381</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.	10,627,464
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.	(8,975)
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	(72,287)
Net other post-employment benefits obligation	(529,700)
Certificates-of-participation	<u>(1,077,046)</u>
Total adjustments	<u>8,939,456</u>
Net Position – Governmental Activities	<u><u>\$ 22,177,837</u></u>

Desert Recreation District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Special Assessments Fund	Total Governmental Funds
Revenues:			
Taxes:			
Property taxes	\$ 2,578,526	\$ -	\$ 2,578,526
Redevelopment agency taxes	2,512,047	-	2,512,047
Charges for services:			
Registration and other fees	1,745,928	-	1,745,928
Intergovernmental service fees	1,616,091	-	1,616,091
Facility and other rental fees	75,782	-	75,782
Other revenues	69,891	-	69,891
Special assessments	-	2,850,822	2,850,822
Operating grants and contributions	220,837	-	220,837
Capital grants and contributions	430,088	-	430,088
Investment earnings	73,712	-	73,712
Total revenues	9,322,902	2,850,822	12,173,724
Expenditures:			
Current:			
Salaries and benefits	4,888,715	1,139,001	6,027,716
Facilities and maintenance	1,045,644	1,314,082	2,359,726
Materials and services	735,832	436,501	1,172,333
Indio Community Center & Park project (Note 8)	-	460,350	460,350
Capital outlay	835,728	208,285	1,044,013
Debt service:			
Principal	291,182	-	291,182
Interest	32,318	-	32,318
Total expenditures	7,829,419	3,558,219	11,387,638
Revenues over (under) expenditures	1,493,483	(707,397)	786,086
Other financing sources (uses):			
Transfers in (out) (Note 11)	(545,377)	545,377	-
Total other financing sources (uses)	(545,377)	545,377	-
Net change in fund balance	948,106	(162,020)	786,086
Fund balance:			
Beginning of year	11,892,884	559,411	12,452,295
End of year	<u>\$ 12,840,990</u>	<u>\$ 397,391</u>	<u>\$ 13,238,381</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, 2017

Net Change in Fund Balances – Total Governmental Funds	<u>\$ 786,086</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	(11,979)
Net change in accrued interest payable	2,427
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	1,044,013
Depreciation expense	(722,620)
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>291,182</u>
Total adjustments	<u>603,023</u>
Change in Net Position – Governmental Activities	<u><u>\$ 1,389,109</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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Desert Recreation District
Balance Sheet
Proprietary Fund
June 30, 2017

	Golf Center
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 300
Accounts receivable	103,753
Prepaid items	10,472
Total current assets	114,525
Non-current assets:	
Capital assets – not being depreciated	961,613
Capital assets – being depreciated, net	1,113,104
Total non-current assets	2,074,717
Total assets	\$ 2,189,242
<u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Accounts payable and accrued expenses	\$ 29,355
Accrued salaries and benefits	4,316
Compensated absences	5,691
Advances from the general fund (note 3)	2,782,510
Total liabilities	2,821,872
Net Position:	
Investment in capital assets	2,074,717
Unrestricted (Deficit)	(2,707,347)
Total net position	(632,630)
Total liabilities and net position	\$ 2,189,242

Desert Recreation District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	Golf Center
Operating revenues:	
Charges for services:	
Registration and other fees	\$ 217,792
Intergovernmental service fees	300
Facility and other rental fees	12,494
Other revenue	26,728
Operating grants and contributions	210,916
Total operating revenues	468,230
Operating expenses:	
Salaries and benefits	318,311
Facilities and maintenance	365,075
Materials and services	37,355
Depreciation expense	96,790
Total operating expenses	817,531
Change in net position	(349,301)
Net position:	
Beginning of year	(283,329)
End of year	\$ (632,630)

Desert Recreation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	Golf Center
Cash flows from operating activities:	
Cash received from customers	\$ 256,504
Cash received from operating grants	210,916
Cash received from the general fund	261,780
Cash payments to suppliers for goods and services	(393,195)
Cash payments to employees for wages and benefits	(318,264)
Net cash provided by operating activities	17,741
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(17,741)
Net cash (used in) capital and related financing activities	(17,741)
Net change in cash and cash equivalents	-
Cash and cash equivalents:	
Beginning of year	300
End of year	\$ 300
Reconciliation of the change in net position to net cash provided by operating activities:	
Change in net position	\$ (349,301)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation	96,790
Change in assets – (increase)decrease:	
Accounts receivable	(810)
Prepaid items	(3,765)
Change in liabilities – increase(decrease):	
Accounts payable and accrued expenses	13,000
Accrued salaries and benefits	(88)
Compensated absences	135
Advances from the general fund	261,780
Total adjustments	367,042
Net cash provided by operating activities	\$ 17,741

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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, 2017

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 U.S. GAAP. 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 for a component that has substantively the same governing body as the District's governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. Because the governing bodies are substantially the same as that of the District, the District has eight 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, 2017

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

The District's financial statements are prepared in conformity with U.S. GAAP. 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.

Government-Wide Financial Statements

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.

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.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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.

In accordance with U.S. GAAP, 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.

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.

Governmental Funds

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

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, 2017

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

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.

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, 2017

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, 2017

Note 2 – Cash and Investments

Cash and investments as of June 30, 2017 consist of the following:

Description	Balance
Cash on hand	\$ 800
Demand deposits held with financial institutions	3,652,491
Investments	6,668,705
Total cash and investments	\$ 10,321,996

Demand Deposits

At June 30, 2017, the carrying amount of the District’s demand deposits was \$3,652,491 and the financial institution balance was \$3,788,427. The \$135,936 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District’s bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as RCPIF).

As of June 30, 2017 none of the District’s deposits were exposed to disclosable custodial credit risk.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

Investments

Investments as of June 30, 2017 consisted of the following:

<u>Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2017</u>	<u>Maturity 12 Months or Less</u>
California Local Agency Investment Fund (LAIF)	Uncategorized	Not Rated	\$ 6,615,449	\$ 6,615,449
Riverside County Pooled Investment Fund (RCPIF)	Level 2	AAA/bf	53,256	53,256
Total investments			<u>\$ 6,668,705</u>	<u>\$ 6,668,705</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/

The District’s investment with LAIF at June 30, 2017 included a portion of the pool funds invested in structured notes and asset-backed securities:

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.

LAIF has indicated to the District that as of June 30, 2017 the value of LAIF’s portfolio approximated \$20.678 billion. As of June 30, 2017, the District had \$6,615,449 invested in LAIF, which had invested 2.89% of the pool’s investment funds in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF as of June 30, 2017.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

Riverside County Treasury – Pooled Investment Fund (Continued)

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

The Riverside County Treasurer has indicated to the District that as of June 30, 2017 the value of the County's portfolio approximated \$6.736 billion and the portfolio holds no derivative products. The District's investment with the Riverside County Treasurer's Office as of June 30, 2017 was \$53,256. RCPIF's fair value factor of 0.99793 as of June 30, 2017 was used to calculate the fair value of the investments in the RCPIF.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

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. As of June 30, 2017, the District's investment in the RCPIF was rated by Standard & Poor's as AAAf/S1 as noted in the table above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater 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. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in the RCPIF.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Internal Balances

<u>Advance from</u>	<u>Advance to</u>	<u>Amount</u>
General Fund	Golf Center Fund	<u>\$ 2,782,510</u>

The general fund has advanced the golf center fund \$2,782,510 as of June 30, 2017 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, 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2017</u>
Non-depreciable capital assets:				
Land	\$ 1,568,944	\$ 24,303	\$ -	\$ 1,593,247
Construction-in-process	563,995	468,136	(281,881)	750,250
Total non-depreciable capital assets	2,132,939	492,439	(281,881)	2,343,497
Depreciable capital assets:				
Land improvements	2,628,134	206,671	281,881	3,116,686
Buildings and structures	11,765,717	175,736	-	11,941,453
Machinery and equipment	1,184,785	109,830	(42,571)	1,252,044
Vehicles	452,859	59,337	-	512,196
Total depreciable capital assets	16,031,495	551,574	239,310	16,822,379
Accumulated depreciation:				
Land improvements	(1,967,451)	(138,396)	-	(2,105,847)
Buildings and structures	(4,922,208)	(399,906)	-	(5,322,114)
Machinery and equipment	(610,605)	(148,442)	42,571	(716,476)
Vehicles	(358,099)	(35,876)	-	(393,975)
Total accumulated depreciation	(7,858,363)	(722,620)	42,571	(8,538,412)
Total depreciable capital assets, net	8,173,132	(171,046)	281,881	8,283,967
Total capital assets, net	\$ 10,306,071	\$ 321,393	\$ -	\$ 10,627,464

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Capital Assets (Continued)

Changes in capital assets for the year were as follows:

Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2017</u>
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	676,921	-	-	676,921
Buildings and structures	886,351	-	-	886,351
Machinery and equipment	49,410	17,741	-	67,151
Total depreciable capital assets	<u>1,612,682</u>	<u>17,741</u>	<u>-</u>	<u>1,630,423</u>
Accumulated depreciation:				
Land improvements	(262,797)	(47,094)	-	(309,891)
Buildings and structures	(123,940)	(43,721)	-	(167,661)
Machinery and equipment	(33,792)	(5,975)	-	(39,767)
Total accumulated depreciation	<u>(420,529)</u>	<u>(96,790)</u>	<u>-</u>	<u>(517,319)</u>
Total depreciable capital assets, net	<u>1,192,153</u>	<u>(79,049)</u>	<u>-</u>	<u>1,113,104</u>
Total capital assets, net	<u>\$ 2,153,766</u>	<u>\$ (79,049)</u>	<u>\$ -</u>	<u>\$ 2,074,717</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:

<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Current</u>	<u>Non-current</u>
\$ 65,864	\$ 128,850	\$ (116,736)	\$ 77,978	\$ 46,787	\$ 31,191

Note 6 – Certificates-of-Participation

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

<u>Long-Term Debt</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2017</u>
2013 Certificates-of-participation	\$ 1,368,228	\$ -	\$ (291,182)	\$ 1,077,046

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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>
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	1,077,046	\$ 54,521	\$ 1,131,567
Current	(298,507)		
Non-current	\$ 778,539		

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, 2017, the District's Annual OPEB cost was \$0. The District's net OPEB obligation amounted to \$529,700 for the year ended June 30, 2017. The District's contributions were \$0 for the year ended June 30, 2017.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

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

Description	Balance
Annual OPEB cost:	
Annual required contribution (ARC)	\$ 151,749
Interest on beginning net OPEB obligation	26,485
Adjustment to annual required contribution	(178,234)
Total annual OPEB cost	-
Contributions made:	
Contributions made	-
Total contributions made	-
Change in net other post-employment benefits payable	-
Net other post-employment benefits payable:	
Beginning of year	529,700
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 2017 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, 2017	\$ -	\$ -	0.00%	\$ 529,700
June 30, 2016	(664,933)	-	0.00%	529,700
June 30, 2015	322,038	25,332	7.87%	1,194,633

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 56)

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, 2017

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

Actuarial Methods and Assumptions (Continued)

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	<u>Year</u>	<u>Percentage</u>
	2016	8.00%
	2017	7.00%
	2018	6.00%
	2019+	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, 2017 was \$0.

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Net Investment in Capital Assets

Net investment in capital assets was calculated as of June 30, 2017 as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets:			
Capital assets – not being depreciated	\$ 2,343,497	\$ 961,613	\$ 3,305,110
Capital assets – being depreciated, net	8,283,967	1,113,104	9,397,071
Certificates-of-participation	(1,077,046)	-	(1,077,046)
Total net investment in capital assets	\$ 9,550,418	\$ 2,074,717	\$ 11,625,135

Note 10 – Restricted Net Position

Restricted net position as of June 30, 2017 was as follows:

	Governmental Activities	Business-Type Activities	Total
Restricted net position:			
Assessment districts	\$ 397,391	\$ -	\$ 397,391

Note 11 – 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, 2017 is as follows:

Description	General Fund	Special Assessment Fund	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 332,034	\$ -	\$ 332,034
Restricted:			
Assessment districts	-	397,391	397,391
Assigned:			
Compensated absences	72,287	-	72,287
Net other post-employment benefits payable	529,700	-	529,700
Six-month operating reserve	6,000,000	-	6,000,000
Capital replacement reserve	4,906,969	-	4,906,969
Total assigned	11,508,956	-	11,508,956
Unassigned	1,000,000	-	1,000,000
Total fund balances	\$ 12,840,990	\$ 397,391	\$ 13,238,381

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Due To/From Other Funds and Transfers

Interfund Balances and Transfers

Due From	Due To	Amount
General Fund	Special Assessment Fund	<u>\$ 478,983</u>
Transfer Out	Transfer In	Amount
General Fund	Special Assessment Fund	<u>\$ 545,377</u>

The Special Assessment Fund holds its cash balance of \$478,983 with the General Fund.

The General Fund has transferred \$545,377 to the Special Assessment Fund to cover the costs of operating specific facilities that are above the special assessments revenues received.

Note 13 – 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, 2017, totaled \$181,353. 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, 2017 totaled \$100,045.

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – 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, 2017

Note 14 – Risk Management (Continued)

Purchased Insurance:

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 2015-2017.

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, 2017, the District participated in the workers' compensation and of CAPRI as follows:

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

Desert Recreation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 15 – 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.

Insurance Matter

On June 22, 2017, the District was served with a Government Tort Claim (The First Tee Incident on June 3, 2017) from the Coachella Valley Water District (CVWD) for damages suffered from, and for indemnity arising out of, the overflow or escape of recycled water from the irrigation pond(s) located within The First Tee's golf course which caused a flooding condition with resultant displacement of the adjoining hillside and rupture of CVWD's water main and sewage line. Carl Warren and Company states that the District's current loss reserve for property damage is \$25,000.

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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, 2017

	<u>Adopted Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Taxes:				
Property taxes	\$ 2,416,679	\$ 2,516,270	\$ 2,578,526	\$ 62,256
Redevelopment agency taxes	2,278,654	2,511,069	2,512,047	978
Charges for services:				
Registration and other fees	1,667,595	1,640,073	1,745,928	105,855
Intergovernmental service fees	1,729,644	1,633,455	1,616,091	(17,364)
Facility and other rental fees	86,963	68,957	75,782	6,825
Other revenues	61,490	61,265	69,891	8,626
Special assessments	2,798,843	2,754,384	2,850,822	96,438
Operating grants and contributions	230,420	210,201	220,837	10,636
Capital grants and contributions	610,830	431,838	430,088	(1,750)
Investment earnings	20,050	80,310	73,712	(6,598)
Total revenues	<u>11,901,168</u>	<u>11,907,822</u>	<u>12,173,724</u>	<u>265,902</u>
Expenditures:				
Current:				
Salaries and benefits	6,100,599	6,085,813	6,027,716	58,097
Facilities and maintenance	2,318,191	2,360,949	2,359,726	1,223
Materials and services	1,115,087	971,647	1,172,333	(200,686)
Indio Community Center & Park project	460,350	460,350	460,350	-
Capital outlay	4,904,661	1,185,098	1,044,013	141,085
Debt service:				
Principal	291,182	291,182	291,182	-
Interest	32,408	32,408	32,318	90
Total expenditures	<u>15,222,478</u>	<u>11,387,447</u>	<u>11,387,638</u>	<u>(191)</u>
Revenues over (under) expenditures	<u>(3,321,310)</u>	<u>520,375</u>	<u>786,086</u>	<u>265,711</u>
Net change in fund balance	<u>\$ (3,321,310)</u>	<u>\$ 520,375</u>	<u>786,086</u>	<u>\$ 265,711</u>
Fund balance:				
Beginning of year			<u>12,452,295</u>	
End of year			<u>\$ 13,238,381</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, 2017

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, 2017**

<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	\$ 23,615	\$ 364	\$ 700	\$ -
Due from other funds	-	14,110	408,980	2,726
Total assets	<u>\$ 23,615</u>	<u>\$ 14,474</u>	<u>\$ 409,680</u>	<u>\$ 2,726</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 23,615	\$ 14,474	\$ 15,015	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>23,615</u>	<u>14,474</u>	<u>15,015</u>	<u>-</u>
Fund balances:				
Restricted	-	-	394,665	2,726
Total fund balances	<u>-</u>	<u>-</u>	<u>394,665</u>	<u>2,726</u>
Total liabilities and fund balances	<u>\$ 23,615</u>	<u>\$ 14,474</u>	<u>\$ 409,680</u>	<u>\$ 2,726</u>

Desert Recreation District
Combining Balance Sheets (Continued)
Assessment District Funds
June 30, 2017

<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	\$ -	\$ 29,910	\$ 41,829	\$ 96,418
Due from other funds	-	45,493	7,674	478,983
Total assets	<u>\$ -</u>	<u>\$ 75,403</u>	<u>\$ 49,503</u>	<u>\$ 575,401</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ 75,403	\$ 49,503	\$ 178,010
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>75,403</u>	<u>49,503</u>	<u>178,010</u>
 Fund balances:				
Restricted	-	-	-	397,391
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,391</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 75,403</u>	<u>\$ 49,503</u>	<u>\$ 575,401</u>

Desert Recreation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Assessment District Funds
For the Year Ended June 30, 2017

	Assessment Districts			
	97-1	02-1	03-1	03-2
Revenues:				
Special assessments:	\$ 335,154	\$ 99,618	\$ 94,446	\$ -
Total revenues	<u>335,154</u>	<u>99,618</u>	<u>94,446</u>	<u>-</u>
Expenditures:				
Salaries and benefits	93,423	-	-	-
Facilities and maintenance	265,767	108,848	48,885	-
Materials and services	21,827	7,362	10,984	141,805
Indio Community Center & Park project	-	-	-	-
Capital outlay	76,658	-	54,052	-
Total expenditures	<u>457,675</u>	<u>116,210</u>	<u>113,921</u>	<u>141,805</u>
Excess of revenues over (under) expenditures	<u>(122,521)</u>	<u>(16,592)</u>	<u>(19,475)</u>	<u>(141,805)</u>
Other financing sources (uses):				
Transfers in (out)	122,521	16,592	-	-
Total other financing sources(uses)	<u>122,521</u>	<u>16,592</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(19,475)	(141,805)
Fund balance:				
Beginning of year	-	-	414,140	144,531
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,665</u>	<u>\$ 2,726</u>

Desert Recreation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Assessment District Funds (Continued)
For the Year Ended June 30, 2017

	Assessment Districts			Total
	06-1	93-1	01-1	
Revenues:				
Special assessments:	\$ -	\$ 799,199	\$ 1,522,405	\$ 2,850,822
Total revenues	<u>-</u>	<u>799,199</u>	<u>1,522,405</u>	<u>2,850,822</u>
Expenditures:				
Salaries and benefits	-	372,458	673,120	1,139,001
Facilities and maintenance	-	599,647	290,935	1,314,082
Materials and services	-	86,271	168,252	436,501
Indio Community Center & Park project	-	-	460,350	460,350
Capital outlay	-	-	77,575	208,285
Total expenditures	<u>-</u>	<u>1,058,376</u>	<u>1,670,232</u>	<u>3,558,219</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(259,177)</u>	<u>(147,827)</u>	<u>(707,397)</u>
Other financing sources (uses):				
Transfers in (out)	(740)	259,177	147,827	545,377
Total other financing sources(uses)	<u>(740)</u>	<u>259,177</u>	<u>147,827</u>	<u>545,377</u>
Net change in fund balance	<u>(740)</u>	<u>-</u>	<u>-</u>	<u>(162,020)</u>
Fund balance:				
Beginning of year	740	-	-	559,411
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,391</u>