



Desert Recreation District

Annual Financial Report

For the Fiscal Year Ended June 30, 2024



Mission Statement

“Our mission is to enrich the quality of life for Coachella Valley residents by acquiring, developing, operating and maintaining a community-focused parks and recreation system and preserving it for future generations.”

Desert Recreation District

Board of Directors as of June 30, 2024

Name	Title	Term
Luis Espinoza	President	10/2022 - 12/2024
Natalia Gonzalez	Vice President	12/2022 - 12/2026
Laura McGalliard	Director	12/2020 - 12/2024
Rudy Acosta	Vice President	12/2022 - 12/2026
Rudy Gutierrez	Director	12/2020 - 12/2024

Desert Recreation District

Kevin Kalman, General Manager

45-305 Oasis Street

Indio, California 92201

(760) 347-3484

www.myrecreationdistrict.com

Desert Recreation District
Annual Financial Report
For the Fiscal Year Ended June 30, 2024

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Financial Section



C.J. Brown & Company CPAs

An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
Desert Recreation District
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Desert Recreation District (District), which comprises the statement of net position as of June 30, 2024, and the related statement of activities for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Desert Recreation District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements, continued

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, and the required supplementary information on pages 37 through 39, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Independent Auditor's Report, continued

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. The combining balance sheet – special assessment fund and combining statement of revenues, expenditures, and changes in fund balance – special assessment fund on pages 40 and 41, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 42 and 43.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
December 18, 2024

Desert Recreation District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024

As management of the Desert Recreation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2024 (with comparative information for fiscal year ended June 30, 2023). Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position increased 16.96% or \$4,931,064, from \$29,066,418 to \$33,997,482.
- Total revenues increased by 41.84% or \$8,015,277 from \$19,155,346 to \$27,170,623.
- Total expenses increased by 14.51% or \$2,817,869 from \$19,421,690 to \$22,239,559.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

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

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

Desert Recreation District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024

Governmental Funds Financial Statements

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 36.

Government-wide Financial Analysis

Statement of Net Position

Condensed Statements of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Assets:			
Current assets	\$ 14,038,954	12,089,776	1,949,178
Non-current assets	1,881,591	2,267,776	(386,185)
Capital assets, net	<u>22,542,511</u>	<u>18,956,194</u>	<u>3,586,317</u>
Total assets	<u>38,463,056</u>	<u>33,313,746</u>	<u>5,149,310</u>
Deferred outflows of resources:			
Deferred OPEB outflows	<u>193,984</u>	<u>163,546</u>	<u>30,438</u>
Total deferred outflows of resources	<u>193,984</u>	<u>163,546</u>	<u>30,438</u>
Liabilities:			
Current liabilities	2,500,583	2,156,231	344,352
Non-current liabilities	<u>1,931,444</u>	<u>1,968,358</u>	<u>(36,914)</u>
Total liabilities	<u>4,432,027</u>	<u>4,124,589</u>	<u>307,438</u>
Deferred inflows of resources:			
Deferred OPEB inflows	<u>227,531</u>	<u>286,285</u>	<u>(58,754)</u>
Total deferred inflows of resources	<u>227,531</u>	<u>286,285</u>	<u>(58,754)</u>
Net position:			
Net investment in capital assets	21,347,840	17,566,672	3,781,168
Unrestricted	<u>12,649,642</u>	<u>11,499,746</u>	<u>1,149,896</u>
Total net position	<u>\$ 33,997,482</u>	<u>29,066,418</u>	<u>4,931,064</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,997,482 as of June 30, 2024.

Desert Recreation District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024

Government-wide Financial Analysis, continued

Statement of Net Position, continued

The largest portion of the District's net position (63% or \$21,347,840) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for operations; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2024, the District shows a positive balance in its unrestricted net position of \$12,649,642 that may be utilized in future years.

Statement of Activities

Condensed Statements of Activities

	2024	2023	Change
Revenues:			
Program revenues:			
Charges for services	\$ 11,686,065	5,756,912	5,929,153
Operating grants and contributions	527,718	1,239,405	(711,687)
Capital grants and contributions	1,638,591	338,948	1,299,643
General revenues:			
Property taxes	12,031,256	10,979,037	1,052,219
Interest earnings	435,137	124,588	310,549
Claims reimbursement	851,856	716,456	135,400
Total revenues	27,170,623	19,155,346	8,015,277
Expenses:			
Salaries and benefits	10,515,717	9,828,763	686,954
Facilities and maintenance	7,556,949	5,411,933	2,145,016
Materials and services	2,775,044	2,777,574	(2,530)
Depreciation expense	1,348,840	1,353,792	(4,952)
Interest expense	43,009	49,628	(6,619)
Total expenses	22,239,559	19,421,690	2,817,869
Changes in net position	4,931,064	(266,344)	5,197,408
Net position, beginning of year	29,066,418	29,332,762	(266,344)
Net position, end of year	\$ 33,997,482	29,066,418	4,931,064

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 \$4,931,064 during the fiscal year ended June 30, 2024, due to continued operations.

Total revenues increased by 41.84% or \$8,015,277, due primarily to increases of \$5,929,153 in charges for services (including reimbursement of project related costs amounting to \$4,400,792 and \$418,306 for the Palm Desert Community Center and Fairway Park), and \$1,299,643 in capital grants and contributions, and \$1,052,219 in property taxes.

Total expenses increased by 14.51% or \$2,817,869, due primarily to increases of \$2,145,016 in facilities and maintenance, and \$686,954 in salaries and benefits.

Desert Recreation District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024

Governmental Funds Financial Analysis

The following table is a summary of the changes in fund balance for all governmental funds for the year ended June 30, 2024:

Changes in Fund Balance – Governmental Fund

	<u>General</u>	<u>Special Assessment</u>	<u>Total Fund Balance</u>
Fund balance, beginning of year	\$ 12,666,123	-	12,666,123
Changes in fund balance	<u>1,264,310</u>	<u>-</u>	<u>1,264,310</u>
Fund balance, end of year	<u>\$ 13,930,433</u>	<u>-</u>	<u>13,930,433</u>

Total fund balance was \$13,930,433 at June 30, 2024. The General fund balance was \$13,930,433 and the Special Assessment fund was \$0. See note 10 for further discussion.

General Fund Budgetary Highlights

Actual expenditures for the District's General fund and Special Assessment fund were \$2,340,219 less than budget. The variance is due primarily to the effects of capital outlay and materials and services of \$1,823,276, and \$574,479, respectively, being less than budgeted. Actual revenues for the District's General fund and Special Assessment fund were less than the anticipated budget by \$1,236,330. The variance is due primarily to the effects of operating grants and contributions of \$1,426,019 being less than budgeted; which was offset by property taxes and capital grants and contributions of \$176,038, and \$108,433, respectively, being more than budgeted. The General fund and Special Assessment fund budget to actual comparison schedule can be found on page 36.

Capital Asset Administration

	<u>Balance 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Capital assets:				
Non-depreciable assets	\$ 4,403,268	4,372,486	(710,846)	8,064,908
Depreciable assets	29,328,456	1,295,254	(68,904)	30,554,806
Accumulated depreciation	<u>(14,775,530)</u>	<u>(1,348,840)</u>	<u>47,167</u>	<u>(16,077,203)</u>
Total capital assets, net	<u>\$ 18,956,194</u>	<u>4,318,900</u>	<u>(732,583)</u>	<u>22,542,511</u>

At the end of fiscal year 2024, the District's capital assets (net of accumulated depreciation) amounted to \$22,542,511. This investment in capital assets includes land, construction-in-process, land improvements, buildings and structures, machinery and equipment, and vehicles. See note 4 for further information.

Debt Administration

	<u>Balance 2023</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>Balance 2024</u>
Long-term debt:				
Lease payable	\$ 1,389,522	-	(194,851)	<u>1,194,671</u>

At the end of fiscal year 2024, the District's debt consists of a lease payable with an outstanding balance of \$1,194,671. See note 6 for further information.

Desert Recreation District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024

Requests for Information

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

Basic Financial Statements

Desert Recreation District
Statement of Net Position
June 30, 2024

	2024
Current assets:	
Cash and cash equivalents (note 2)	\$ 7,792,819
Investments – current (note 2)	486,594
Accounts receivable	905,838
Intergovernmental receivable (note 4)	2,765,356
Grant receivable (note 5)	1,348,433
Accrued interest receivable	12,425
Property taxes and assessments receivable	274,910
Prepaid expenses	452,579
Total current assets	14,038,954
Non-current assets:	
Investments - non-current (note 2)	1,881,591
Capital assets – not being depreciated (note 6)	8,064,908
Capital assets – being depreciated, net (note 6)	14,477,603
Total non-current assets	24,424,102
Total assets	38,463,056
Deferred outflows of resources:	
Deferred OPEB outflows (note 9)	193,984
Total deferred outflows of resources	\$ 193,984

Continued on next page

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Net Position, continued
June 30, 2024

	2024
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,076,077
Accrued interest payable	13,462
Accrued wages and related payables	824,684
Deposits and unearned revenue	89,351
Long-term liabilities – due within one year:	
Compensated absences (note 7)	295,660
Finance lease payable (note 8)	201,349
	2,500,583
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (note 7)	32,851
Finance lease payable (note 8)	993,322
Net OPEB liability (note 9)	905,271
	1,931,444
	4,432,027
Deferred inflows of resources:	
Deferred OPEB inflows (note 9)	227,531
	227,531
Net position: (note 11)	
Net investment in capital assets	21,347,840
Unrestricted	12,649,642
	\$ 33,997,482

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net(Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Recreation and park operations	\$ 15,606,034	11,686,065	527,718	1,638,591	(1,753,660)
Assessment districts operations	6,590,516	-	-	-	(6,590,516)
Interest expense on long-term debt	43,009	-	-	-	(43,009)
Total	\$ 22,239,559	11,686,065	527,718	1,638,591	(8,387,185)
 General revenues:					
Property taxes and special assessments				\$ 6,858,368	
Redevelopment agency taxes				5,172,888	
Investment return				435,137	
Claims reimbursement				851,856	
Total general revenues				13,318,249	
Changes in net position					4,931,064
Net position, beginning of year					29,066,418
Net position, end of year					\$ 33,997,482

Desert Recreation District
Balance Sheet – Governmental Funds
June 30, 2024

	General	Special Assessment	Total
Assets:			
Cash and cash equivalents	\$ 7,792,819	-	7,792,819
Investments	2,368,185	-	2,368,185
Accounts receivable	905,838	-	905,838
Intergovernmental receivable	2,765,356	-	2,765,356
Grant receivable	1,348,433	-	1,348,433
Accrued interest receivable	12,425	-	12,425
Property taxes and assessments receivable	183,973	90,937	274,910
Prepaid expenses	451,539	1,040	452,579
Due from other funds (note 3)	-	86,085	86,085
Total assets	\$ 15,828,568	178,062	16,006,630
Liabilities:			
Accounts payable and accrued expenses	\$ 898,015	178,062	1,076,077
Accrued wages and related payables	824,684	-	824,684
Due to other funds (note 3)	86,085	-	86,085
Deposits and unearned revenue	89,351	-	89,351
Total liabilities	1,898,135	178,062	2,076,197
Fund balance (note 12):			
Nonspendable	451,539	-	451,539
Committed	905,271	-	905,271
Assigned	9,137,417	-	9,137,417
Unassigned	3,436,206	-	3,436,206
Total fund balance	13,930,433	-	13,930,433
Total liabilities and fund balance	\$ 15,828,568	178,062	16,006,630

Continued on next page

See accompanying notes to the basic financial statements

Desert Recreation District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Position
June 30, 2024

	2024
Reconciliation:	
Fund Balance - Governmental Funds	\$ 13,930,433
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, not in the governmental fund balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.	22,542,511
Deferred outflows of resources applicable to the consumption of resources to be used in future periods.	193,984
Interest on long-term debt is not accrued in governmental fund, but rather is recognized as an expenditure when due; however, the statement of net position recognizes accrued interest on long-term debt based on the period of accrual.	(13,462)
Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(328,511)
Net other post-employment benefit obligations	(905,271)
Finance lease payable	(1,194,671)
Deferred inflows of resources applicable to the acquisition of resources to be used in future periods.	
Deferred OPEB inflows	(227,531)
Total adjustments	20,067,049
Net position of governmental activities	\$ 33,997,482

Desert Recreation District
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Type Funds
For the Fiscal Year Ended June 30, 2024

	<u>General</u>	<u>Special Assessment</u>	<u>Total</u>
Revenues:			
Property taxes and special assessments:			
Property taxes	\$ 3,765,613	-	3,765,613
Redevelopment agency taxes	5,172,888	-	5,172,888
Special assessments	-	3,092,754	3,092,754
Charges for services:			
Registration and other fees	2,449,652	-	2,449,652
Intergovernmental service fees	8,041,702	-	8,041,702
Facility and other rental revenues	131,005	-	131,005
Other revenues	1,083,248	-	1,083,248
Claims reimbursement	851,856	-	851,856
Operating grants and contributions	527,718	-	527,718
Capital grants and contributions	1,638,591	-	1,638,591
Investment return	435,137	-	435,137
Total revenues	<u>24,097,410</u>	<u>3,092,754</u>	<u>27,190,164</u>
Expenditures:			
Salaries and benefits	7,880,747	2,518,363	10,399,110
Facilities and maintenance	4,512,288	2,845,823	7,358,111
Materials and services	2,213,613	561,431	2,775,044
Capital outlay	4,490,831	664,898	5,155,729
Debt service:			
Principal	194,851	-	194,851
Interest	43,009	-	43,009
Total expenditures	<u>19,335,339</u>	<u>6,590,515</u>	<u>25,925,854</u>
Excess(Deficiency) of revenues over expenditures	<u>4,762,071</u>	<u>(3,497,761)</u>	<u>1,264,310</u>
Other financing sources(uses):			
Operating transfers in(out) (note 3)	<u>(3,497,761)</u>	<u>3,497,761</u>	<u>-</u>
Total other financing sources(uses)	<u>(3,497,761)</u>	<u>3,497,761</u>	<u>-</u>
Net change in fund balance	1,264,310	-	1,264,310
Fund balance, beginning of year	<u>12,666,123</u>	<u>-</u>	<u>12,666,123</u>
Fund balance, end of year	<u>\$ 13,930,433</u>	<u>-</u>	<u>13,930,433</u>

Continued on next page

See accompanying notes to the basic financial statements.

Desert Recreation District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2024

	2024
Reconciliation:	
Net Change in Fund Balance – Governmental Funds	\$ 1,264,310
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:	
Capital outlay	4,956,894
Depreciation expense	(1,348,840)
Amortization and additions to deferred outflows of resources are not current financial resources and, therefore, are not reported as expenses in the governmental funds.	30,438
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in the governmental fund as follows:	
Accrued interest payable	2,193
Compensated absences	(45,805)
Net other post-employment benefit obligations	(159,994)
Principal repayment of long-term debt is reported as an expenditure in governmental funds; however, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities as follows:	
Debt service principal - Finance lease payable	194,851
Amortization and additions to deferred inflows of resources are not current financial resources and, therefore, are not reported as revenues in the governmental funds.	
Deferred OPEB inflows	37,017
Total adjustments	3,666,754
Change in net position of governmental activities	\$ 4,931,064

See accompanying notes to the basic financial statements

Desert Recreation District
Notes to the Basic Financial Statements
June 30, 2024

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

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

- **Assessment District 97-1, Thousand Palms Landscape and Lighting** – formed on July 23, 1997, the Thousand Palms Landscape and Lighting Assessment District provides improvements and continues to levy special assessments previously provided and levied by the County of Riverside. The District levied and collected annual assessments beginning in fiscal year 1998. Assessments are used to maintain and operate the Thousand Palms Community Center, recreation facilities, landscaping, and lighting maintenance.
- **Assessment District 93-1, Coachella Valley Landscape and Lighting** – formed in 1993, pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the Streets and Highways Code (1972 Act), the Coachella Valley Landscape and Lighting District No. 93-1 authorizes the District to annually levy and collect assessments to maintain the services and improvements related hereto in the Coachella Valley area.
- **Assessment District 02-1, Coachella Landscape and Lighting** – form on June 25, 2003, the Coachella Landscape and Lighting Assessment District No. 02-1 began collecting assessments in fiscal year 2004.
- **Assessment District 03-1, Mecca Landscape and Lighting** – formed on June 25, 2003, the Mecca Landscape and Lighting Assessment District No. 03-1 began collecting assessments in fiscal year 2004.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

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

A. Organization and Operations of the Reporting Entity, continued

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District reports the following major governmental funds:

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

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

C. Financial Reporting

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

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

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

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

C. Financial Reporting, continued

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

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

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

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

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

4. Fair Value Measurement

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

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

5. Property Taxes and Special Assessments

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

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

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

6. Prepaid Expenses

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

7. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, land improvements, buildings and structures, machinery and equipment, and vehicles. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the governmental fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

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

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

7. Capital Assets, continued

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

8. Deferred Outflows of Resources

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

9. Compensated Absences

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

10. Deposits and Unearned Revenues

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

11. Deferred Inflows of Resources

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

12. Net Position

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

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- **Restricted net position** – consists of external constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – consists of net position that does not meet the definition of *net investment in capital assets* or *restricted* components of net position.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

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

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

13. Fund Balance

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

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The Board of Directors established, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed. The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balance is considered unrestricted. The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(2) Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	2024
Cash and cash equivalents	\$ 7,792,819
Investments - current	486,594
Investments - non-current	1,881,591
Total governmental activities	10,161,004
Total cash and investments	\$ 10,161,004

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

	2024
Cash and cash equivalents:	
Cash on hand	\$ 500
Deposits with financial institutions	423,174
Total cash and cash equivalents	423,674
Investments	
Certificate of deposit	2,368,185
California CLASS Investment Pool	3,138,484
California Local Agency Investment Fund	271,318
County of Riverside Treasurer's Pooled Investment Fund	3,827,055
Money market fund	132,288
Total investments	9,737,330
Total cash and investments	\$ 10,161,004

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

	2024
Deposits held with the County of Riverside Treasurer's Pooled Investment Fund	463 days
Deposits held with California CLASS Investment Pool (CLASS)	75 days
Deposits held with the California Local Agency Investment Fund (LAIF)	217 days

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1(D)(4) to the financial statements.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(2) Cash and Investments, continued

Riverside County Pooled Investment Fund

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

The County of Riverside's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the County of Riverside Administrative Office – 4800 Lemon Street, 4th Floor – Capital Markets, Riverside, CA 92506, or the Treasurer and Tax Collector's Office website at www.countytreasurer.org.

Investment in California CLASS

The District is a voluntary participant in the California CLASS (CLASS) that is regulated by the California Government Code Section 16429 and is a Joint Powers Authority investment pool that provides the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering Participants safety, daily, and next day liquidity, and optimized returns.

The fair value of the Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon the Watermaster's pro-rata share of the fair value provided by CLASS for the entire CLASS portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the CLASS, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Watermaster's deposits with the bank in accordance with the Code.

California Local Agency Investment Fund

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

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

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name. The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Interest Rate Risk

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

As of June 30, 2024, the District's investments mature as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Certificate of deposit	\$ 2,368,185	486,594	465,493	1,416,098
California CLASS Investment Pool	3,138,484	3,138,484	-	-
Local Agency Investment Fund (LAIF)	271,318	271,318	-	-
Riverside Treasurer's Pool Investment Fund	3,827,055	3,827,055	-	-
Money market fund	132,288	132,288	-	-
Total	\$ 9,737,330	7,855,739	465,493	1,416,098

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments are rated as follows:

Credit ratings of investments as of June 30, 2024, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of year-end</u>		
			<u>Fitch's AAA-BBB+</u>	<u>S&P AAAm</u>	<u>Not Rated</u>
Certificate of deposit	\$ 2,368,185	N/A	\$ 2,368,185	-	-
California CLASS Investment Pool	3,138,484	N/A	-	3,138,484	-
Local Agency Investment Fund (LAIF)	271,318	N/A	-	-	271,318
Riverside Treasurer's Pool Investment Fund	3,827,055	N/A	3,827,055	-	-
Money market fund	132,288	N/A	-	-	132,288
Total	\$ 9,737,330		\$ 6,195,240	3,138,484	403,606

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(2) Cash and Investments, continued

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments as of June 30, 2024.

Investments at Fair Value Hierarchy

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2024, are as follows:

<u>Description</u>	<u>June 30,</u> <u>2024</u>	<u>Fair Value Measurement at Reporting Date using:</u>		
		<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Certificate of deposit	\$ 2,368,185	-	2,368,185	-
California CLASS Investment Pool	3,138,484		3,138,484	
Total	<u>5,506,669</u>	<u>-</u>	<u>5,506,669</u>	<u>-</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	271,318			
Riverside Treasurer's Pool Investment Fund	3,827,055			
Money market fund	<u>132,288</u>			
Total investments at amortized cost	<u>4,230,661</u>			
Total investments	<u>\$ 9,737,330</u>			

(3) Internal Transfers

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

As of June 30, 2024, inter-fund receivables/payables between the District's funds were as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
General	Assessment	\$ <u>86,085</u>

For the year ended June 30, 2024, inter-fund transfers consist of the following:

<u>Transfer</u> <u>from</u>	<u>Transfer</u> <u>to</u>	<u>Amount</u>
General	Assessment	\$ <u>3,497,761</u>

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(4) Intergovernmental receivable

The balance at June 30 consists of the following:

	2024
City of Palm Desert	\$ 2,347,050
City of Indian Wells	418,306
Total	\$ 2,765,356

City of Palm Desert

On January 1, 2020, the District entered into an agreement with the City of Palm Desert, whereby the City of Palm Desert agreed to lease two of its premises to the District for the purpose of providing a recreation center for the general public. The premises are now known as, “Palm Desert Community Center”. Terms of the agreement commenced on January 20, 2020, with an option to renew the lease at the Parties’ mutual discretion for an additional five-year period, unless terminated earlier by the District or the City of Palm Desert. Terms of the agreement include annual base rent of \$1.00.

Per Article 5.2 of the lease agreement, the City shall fund the following major improvements and repairs to the premises (Palm Desert Community Center), which includes replacement of entire roof and associated repairs, replacement of the HVAC and associated ducting, and repair of the Foundation as determined to be necessarily structurally.

As of June 30, 2024, the District’s reimbursement receivable from the City of Palm Desert amounted to \$2,347,050.

City of Indian Wells

On January 19, 2022, the District entered into an agreement with the City of Indian Wells for cooperative park and recreation development, maintenance and program services. Terms of the agreement includes the City of Indian Wells to purchase a park and for the District to work with the City to develop schedules for determination of use, design and construction of the park. The City of Indian Wells and the District will each provide 50% of the costs in an amount not to exceed \$1,000,000 per party. In the event that the costs exceed \$2,000,000, the City solely shall be responsible for the costs exceeding the amount.

As of June 30, 2024, the District’s reimbursement receivable from the City of Indian Wells amounted to \$418,306.

(5) Grant receivable

On March 3, 2023, the District entered into a grant agreement with the State of California for a not to exceed amount of \$4,500,000 under the provisions of the 2018 Parks Bond Act, Statewide park Development and Community Revitalization Grant regarding the Thermal Park Project, with a grant performance period from July 1, 2020 through June 30, 2028.

As of June 30, 2024, total grant receivable from the State of California amounted to \$1,348,433.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(6) Capital Assets

Changes in capital assets for the year ended June 30, 2024, were as follows:

	<u>Balance 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 2,906,687	483,535	-	3,390,222
Construction-in-process	<u>1,496,581</u>	<u>3,888,951</u>	<u>(710,846)</u>	<u>4,674,686</u>
Total non-depreciable assets	<u>4,403,268</u>	<u>4,372,486</u>	<u>(710,846)</u>	<u>8,064,908</u>
Depreciable assets:				
Land improvements	12,506,238	1,019,123	(65,204)	13,460,157
Buildings and structures	13,952,698	6,744	-	13,959,442
Machinery and equipment	2,692,780	244,945	-	2,937,725
Vehicles	<u>176,740</u>	<u>24,442</u>	<u>(3,700)</u>	<u>197,482</u>
Total depreciable assets	<u>29,328,456</u>	<u>1,295,254</u>	<u>(68,904)</u>	<u>30,554,806</u>
Accumulated depreciation:				
Land improvements	(4,667,002)	(707,010)	43,467	(5,330,545)
Buildings and structures	(8,386,803)	(436,501)	-	(8,823,304)
Machinery and equipment	(1,579,416)	(193,145)	-	(1,772,561)
Vehicles	<u>(142,309)</u>	<u>(12,184)</u>	<u>3,700</u>	<u>(150,793)</u>
Total accumulated depreciation	<u>(14,775,530)</u>	<u>(1,348,840)</u>	<u>47,167</u>	<u>(16,077,203)</u>
Total depreciable assets, net	<u>14,552,926</u>	<u>(53,586)</u>	<u>(21,737)</u>	<u>14,477,603</u>
Total capital assets, net	<u>\$ 18,956,194</u>			<u>22,542,511</u>

(7) Compensated Absences

Changes in compensated absence for 2024, were as follows:

	<u>Balance 2023</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2024</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>282,706</u>	<u>424,038</u>	<u>(378,233)</u>	<u>328,511</u>	<u>295,660</u>	<u>32,851</u>

(8) Long-term Debt

Changes in long-term debt for 2024, were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2024</u>
Lease payable – 2030	\$ 1,389,522	-	(194,851)	1,194,671
Total	<u>1,389,522</u>	<u>-</u>	<u>(194,851)</u>	<u>1,194,671</u>
Less current portion	<u>(194,712)</u>			<u>(201,349)</u>
Total non-current	<u>\$ 1,194,810</u>			<u>993,322</u>

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(8) Long-term Debt, continued

Finance Agreement

In November 2018, the District entered into a lease agreement with CSDA Finance Corporation totaling \$2,207,562 at an interest rate of 3.38%. The District used \$627,562 from the funds to prepay the District's 2013 Lease Agreement. The remaining amount of \$1,580,000 from the lease is to be used for improvements to the District's Golf facilities. Lease payments are payable semi-annually on March 1st and September 1st of each year, commencing March 1, 2019. The portion of the lease used to prepay the District's 2013 Lease Agreement matures in September 2022 (which was paid as June 30, 2023), and the remainder matures in September 2029 as follows:

Finance Lease Payable - 2030

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 201,349	38,712	240,061
2026	208,213	31,849	240,062
2027	215,310	24,753	240,063
2028	222,650	17,414	240,064
2029	230,239	9,825	240,064
2030	<u>116,910</u>	<u>1,978</u>	<u>118,888</u>
Total	1,194,671	<u>124,531</u>	<u>1,319,202</u>
Current	<u>(201,349)</u>		
Non-current	<u>\$ 993,322</u>		

(9) Other Post-Employment Benefits Payable

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2024, the following employees were covered by the benefit terms:

	<u>2024</u>
Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>17</u>
Total plan membership	<u>21</u>

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(9) Other Post-Employment Benefits Payable, continued

Contributions

The District will pay 100% of the cost of the post-employment benefit plan up to \$1,200 per month and are provided for the lifetime of the eligible retiree. The District funds the plan on a pay-as-you-go basis.

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

For the year ended June 30, 2024, the District recognized an OPEB expense of \$51,747. At June 30, 2024, the District reported deferred outflows (inflows) of resources related to OPEB from the follow source:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,449	(154,699)
Change of assumptions	42,608	(47,832)
Net difference between projected and actual earnings on OPEB investments	<u>83,927</u>	<u>(25,000)</u>
Total	<u>\$ 193,984</u>	<u>(227,531)</u>

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

<u>Year Ended June 30,</u>	<u>Net Deferred Outflow/ (Inflow)</u>
2025	\$ (15,171)
2026	(16,338)
2027	(3,840)
2028	(14,847)
2029	4,082
Thereafter	12,567

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Investment rate of return	5.25%, net of OPEB plan investment expense
Salary increases	3.00%
Discount rate	5.25%
Healthcare cost trend rate	6% for 2023, 5.50% for 2024, 5.25% for 2025-2029, 5% for 2030-2039, 4.75% for 2040-2049, 4.5% for 2050-2069, and 4% for 2070 and later years; Medicare ages: 4.5% for 2023-2029, and 4% for later years.

Pre-retirement and Post retirement mortality rates were based on Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(9) Other Post-Employment Benefits Payable, continued

Changes in the Net OPEB Liability

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

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2023	\$ 1,459,152	713,875	745,277
Changes for the year:			
Service cost	44,343	-	44,343
Interest	74,721	-	74,721
Differences between expected and actual experience	78,155	-	78,155
Change in assumptions	(7,586)	-	(7,586)
Net investment income (loss)	-	33,801	(33,801)
Benefit payments	(18,382)	(18,382)	-
Administrative expense	-	(4,162)	4,162
Net change	<u>171,251</u>	<u>11,257</u>	<u>159,994</u>
Balance at June 30, 2024	<u>\$ 1,630,403</u>	<u>725,132</u>	<u>905,271</u>

Discount Rate

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

Reporting date	June 30, 2024
Measurement date	June 30, 2023
Long-term expected return of Plan investments	5.00%
Fidelity GO AA 20 Years Municipal Index	3.69%
Discount rate	5.00%

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease (4.25%)</u>	<u>Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net OPEB liability	\$ <u>1,153,181</u>	<u>905,271</u>	<u>700,048</u>

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(9) Other Post-Employment Benefits Payable, continued

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	<u>(4.50%)</u>	<u>(5.50%)</u>	<u>(6.50%)</u>
Net OPEB liability	\$ 594,142	905,271	861,558

(10) Pension Plans

Full-time Team Member

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

The District's full-time employees are eligible to participate in a voluntary 457(b) deferred compensation plan. Eligible employees may contribute up to the plan limits. The District matches 100% up to 2.5% of employee's yearly salary in the plan. If the employee/employer matching contributions exceed plan limits for the employee, the additional amount is rolled over in the 401(a) defined contribution plan. Employer contributions for the fiscal year ending June 30, 2024, totaled \$358,749.

Part-time, Seasonal, and Temporary Employees

The District's part-time, seasonal, and temporary employees are eligible to participate in the Public Agency Retirement Services Alternate Retirement System 457 Plan (PARS), which is compliant with the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) requiring that governmental employees who are not members of the District's retirement plan to be covered by Social Security or an alternate plan. PARS participants contribute 3.75% of their salary and the District contributes 3.75% of each participant's salary. Employer contributions for the fiscal year ending June 30, 2024, totaled \$150,223.

(11) Net Position

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

	<u>2024</u>
Net investments in capital assets:	
Capital assets – not being depreciated	\$ 8,064,908
Capital assets – being depreciated, net	14,477,603
Lease	<u>(1,194,671)</u>
Total net investment in capital assets	21,347,840
Unrestricted	<u>12,649,642</u>
Total net position	<u>\$ 33,997,482</u>

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(12) Fund Balance

Fund balance is presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.13 for a description of these categories).

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

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

A detailed schedule of fund balance and their funding composition at June 30, 2024, is as follows:

<u>Description</u>	<u>General Fund</u>	<u>Assessment Fund</u>	<u>Governmental Total</u>
Nonspendable:			
Prepaid expenses	\$ 451,539	-	451,539
Committed:			
Net OPEB obligations	905,271	-	905,271
Assigned:			
Compensated absences	328,511	-	328,511
Minimum operating reserve	4,094,925	-	4,094,925
Capital replacement reserve	4,713,981	-	4,713,981
Total assigned	9,137,417	-	9,137,417
Unassigned:			
Operations	3,436,206	-	3,436,206
Total fund balance	\$ 13,930,433	-	13,930,433

(13) Risk Management

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

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

All risk property insurance and crime insurance are purchased from commercial insurance companies on behalf of the District. Claims administration for the liability program is provided by Carl Warren & Company.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(13) Risk Management, continued

At June 30, 2024, the District participated in the liability and property programs of the Authority as follows:

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

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

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

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

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

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

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Desert Recreation District
Notes to the Basic Financial Statements, continued
June 30, 2024

(15) Contingencies

Grant Awards

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

Litigation

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

(16) Subsequent Events

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of December 18, 2024, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Desert Recreation District
Budgetary Comparison Schedule – General Fund & Special Assessment Fund
For the Fiscal Year Ended June 30, 2024

Budgets and Budgetary Data

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Property taxes and special assessments					
Property taxes	\$ 3,492,370	97,205	3,589,575	3,765,613	176,038
Redevelopment agency taxes	4,450,135	736,780	5,186,915	5,172,888	(14,027)
Special assessments	3,054,872	14,389	3,069,261	3,092,754	23,493
Charges for services					
Registration and other fees	2,797,121	(227,440)	2,569,681	2,449,652	(120,029)
Intergovernmental service fees	3,376,352	5,633,939	9,010,291	8,041,702	(968,589)
Facilities and other rental revenues	113,210	35,195	148,405	131,005	(17,400)
Other revenues	199,720	(5,868)	193,852	1,083,248	889,396
Claims reimbursement	-	851,858	851,858	851,856	(2)
Operating grants and contributions	1,846,311	107,426	1,953,737	527,718	(1,426,019)
Capital grants and contributions	4,490,000	(2,959,842)	1,530,158	1,638,591	108,433
Investment earnings	184,392	138,369	322,761	435,137	112,376
Total revenues	<u>24,004,483</u>	<u>4,422,011</u>	<u>28,426,494</u>	<u>27,190,164</u>	<u>(1,236,330)</u>
Expenditures:					
Salaries and benefits	10,808,782	203,868	11,012,650	10,399,110	613,540
Facilities and maintenance	5,650,836	1,033,999	6,684,835	7,358,111	(673,276)
Materials and services	3,762,155	(412,632)	3,349,523	2,775,044	574,479
Capital outlay	12,837,493	(5,858,488)	6,979,005	5,155,729	1,823,276
Debt service:					
Principal	194,712	-	194,712	194,851	(139)
Interest	45,348	-	45,348	43,009	2,339
Total expenditures	<u>33,299,326</u>	<u>(5,033,253)</u>	<u>28,266,073</u>	<u>25,925,854</u>	<u>2,340,219</u>
Net change in fund balance	<u>(9,294,843)</u>	<u>9,455,264</u>	<u>160,421</u>	<u>1,264,310</u>	<u>1,103,889</u>
Fund balance, beginning of year	<u>12,666,123</u>			<u>12,666,123</u>	
Fund balance, end of year	<u>\$ 3,371,280</u>			<u>13,930,433</u>	

Notes to Required Supplementary Information

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Desert Recreation District
Schedules of Change in District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2024
Last Ten Years*

Other Post-Employment Benefits Payable

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 44,343	43,007	41,288	45,596	47,740	59,120	57,398
Interest	74,721	69,787	72,515	67,549	73,496	65,463	60,104
Difference between expected and actual experience	78,155	-	(175,018)	-	(125,099)	-	-
Change in assumptions	(7,586)	-	71,657	-	(101,995)	-	-
Changes in benefit terms	-	-	(56,542)	-	-	-	-
Benefit payments	<u>(18,382)</u>	<u>(12,586)</u>	<u>(7,853)</u>	<u>(11,118)</u>	<u>(10,767)</u>	<u>(12,558)</u>	<u>(8,106)</u>
Net change in total OPEB liability	171,251	100,208	(53,953)	102,027	(116,625)	112,025	109,396
Total OPEB liability – beginning	<u>1,459,152</u>	<u>1,358,944</u>	<u>1,412,897</u>	<u>1,310,870</u>	<u>1,427,495</u>	<u>1,315,470</u>	<u>1,206,074</u>
Total OPEB liability – ending	<u>\$ 1,630,403</u>	<u>1,459,152</u>	<u>1,358,944</u>	<u>1,412,897</u>	<u>1,310,870</u>	<u>1,427,495</u>	<u>1,315,470</u>
Plan fiduciary net position							
Contributions – employer	\$ -	-	742	1,075	2,210	-	-
Net investment income	33,801	(95,257)	103,654	33,904	48,148	25,775	42,465
Benefit payments	(18,382)	(12,586)	(7,853)	(11,118)	(10,767)	(12,558)	(8,106)
Administrative expense	<u>(4,162)</u>	<u>(4,810)</u>	<u>(4,601)</u>	<u>(4,235)</u>	<u>(3,817)</u>	<u>(3,901)</u>	<u>(5,374)</u>
Net change in plan fiduciary net position	11,257	(112,653)	91,942	19,626	35,774	9,316	28,985
Total fiduciary net position – beginning	<u>713,875</u>	<u>826,528</u>	<u>734,586</u>	<u>714,960</u>	<u>679,186</u>	<u>669,870</u>	<u>640,885</u>
Total fiduciary net position – ending	<u>\$ 725,132</u>	<u>713,875</u>	<u>826,528</u>	<u>734,586</u>	<u>714,960</u>	<u>679,186</u>	<u>669,870</u>
District's net OPEB liability – ending	<u>\$ 905,271</u>	<u>745,277</u>	<u>532,416</u>	<u>678,311</u>	<u>595,910</u>	<u>748,309</u>	<u>645,600</u>
Covered-employee payroll	1,253,000	1,253,000	1,261,138	1,222,417	1,215,438	845,273	1,187,724
District's net OPEB liability as a percentage of covered-employee payroll	72.25%	59.48%	42.22%	55.49%	49.03%	88.53%	54.36%

Desert Recreation District
Schedules of Change in District's Total OPEB Liability and Related Ratios, continued
For the Fiscal Year Ended June 30, 2024
Last Ten Years*

Note to Schedule

Change in Benefit Terms:

There were no changes to benefit terms for the measurement period ended June 30, 2024.

Change of Assumptions:

The Long-Term Expected Return of Plan Investments increased from 5% in fiscal year ended June 30, 2023 to 5.25% in fiscal year ended June 30, 2024.

The Municipal Bond 20-Year High Grade Rate Index increased from 3.69% in fiscal year ended June 30, 2023 to 3.86% in fiscal year ended June 30, 2024.

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

Supplementary Information

Desert Recreation District
Combining Balance Sheet - Special Assessment Fund
June 30, 2024

	Assessment Districts					2024
	97-1	02-1	03-1	93-1	01-1	
Assets:						
Property taxes and assessments receivable	\$ 27,642	1,324	679	21,834	39,458	90,937
Due from other funds	(1,282)	9,797	1,815	59,988	15,767	86,085
Prepaid expense	-	-	-	-	1,040	1,040
Total assets	\$ 26,360	11,121	2,494	81,822	56,265	178,062
Liabilities:						
Accounts payable and accrued expenses	\$ 26,360	11,121	2,494	81,822	56,265	178,062
Total liabilities	26,360	11,121	2,494	81,822	56,265	178,062
Fund balance:						
Restricted	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-
Total liabilities and fund balance	\$ 26,360	11,121	2,494	81,822	56,265	178,062

Desert Recreation District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Special Assessment Fund
For the Fiscal Year Ended June 30, 2024

	<u>Assessment Districts</u>					<u>2024</u>
	<u>97-1</u>	<u>02-1</u>	<u>03-1</u>	<u>93-1</u>	<u>01-1</u>	
Revenues:						
Property taxes and special assessments:						
Special assessments	\$ 492,119	133,540	128,119	832,914	1,506,062	3,092,754
Total revenues	<u>492,119</u>	<u>133,540</u>	<u>128,119</u>	<u>832,914</u>	<u>1,506,062</u>	<u>3,092,754</u>
Expenditures:						
Salaries and benefits	150,889	-	-	1,433,608	933,866	2,518,363
Facilities and maintenance	257,074	129,412	37,742	2,095,818	325,777	2,845,823
Materials and services	56,245	10,564	9,592	189,298	295,732	561,431
Capital outlay	10,874	-	-	-	654,024	664,898
Total expenditures	<u>475,082</u>	<u>139,976</u>	<u>47,334</u>	<u>3,718,724</u>	<u>2,209,399</u>	<u>6,590,515</u>
Excess(Deficiency) of revenues over expenditures	17,037	(6,436)	80,785	(2,885,810)	(703,337)	(3,497,761)
Other financing sources(uses):						
Operating transfers in(out)	(17,037)	6,436	(80,785)	2,885,810	703,337	3,497,761
Net change in fund balance	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Report on Internal Controls and Compliance



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

Board of Directors
Desert Recreation District
Indio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Desert Recreation District (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 18, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
December 18, 2024