Desert Recreation District

Annual Financial Report

For the Fiscal Year Ended June 30, 2021

Desert Recreation District

Board of Directors as of June 30, 2021

Name	Title	Term
Rudy Acosta	President	12/2017 - 12/2022
Silvia Paz	Vice President	12/2017 - 12/2022
Jonathan Becerra	Director	12/2020 - 12/2024
Rudy Gutierrez	Director	12/2020 - 12/2024
Laura McGalliard	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, 2021

Desert Recreation District
Annual Financial Report
For the Fiscal Year Ended June 30, 2021

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Financial Section

Fedak & Brown LLP
Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Desert Recreation District
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Desert Recreation District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Desert Recreation District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the required supplementary information on pages 41 and 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information schedules, on pages 43 and 44, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 45 and 46.

Fedak & Brown LLP

Fedak &Brown LLP
Cypress, California
December 8, 2021

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, 2021. 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 5.38% or $1,418,655, from $26,361,655 to $27,780,310. See note 8 for further discussion.
- Total revenues increased by 2.20% or $291,544 from $13,234,567 to $13,526,111.
- Total expenses decreased by 7.74% or $1,015,084 from $13,122,540 to $12,107,456.

Change in Basis of Accounting

In 2021, the District changed the basis of accounting of the Golf Center Fund from the enterprise basis of accounting to the governmental basis to more fully reflect the nature of the Funds operations and funding sources. These financial statement reflect those changes at June 30, 2021.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 40.

Government-wide Financial Analysis

Statement of Net Position

Condensed Statements of Net Position

		2021	2020
Assets:			
Current assets	$	10,632,121	15,794,116
Non-current assets		2,001,841	1,022,144
Capital assets, net		19,280,604	17,985,774
Total assets		31,914,566	34,802,034
Deferred outflows of resources:			
Deferred OPEB outflows		9,189	6,786
Total deferred outflows of resources		9,189	6,786
Liabilities:			
Current liabilities		1,685,219	5,869,004
Non-current liabilities		2,277,802	2,367,536
Total liabilities		3,963,021	8,236,540
Deferred inflows of resources:			
Deferred OPEB inflows		180,424	210,625
Total deferred inflows of resources		180,424	210,625
Net position:			
Net investment in capital assets		17,520,702	16,049,790
Restricted		585,068	1,867,292
Unrestricted		9,674,540	8,444,573
Total net position	$	27,780,310	26,361,655

Statement of Net Position

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 $27,780,310 as of June 30, 2021.

The largest portion of the District's net position (63% or $17,52,702) 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 2021, the District shows a positive balance in its unrestricted net position of $9,674,540 that may be utilized in future years.

Government-wide Financial Analysis, continued

Statement of Activities

Condensed Statements of Activities

		2021	2020
Revenues:			
Program revenues:			
Charges for services	$	2,806,387	3,251,387
Operating grants and contributions		544,517	225,921
Capital grants and contributions		694,642	982,658
General revenues:			
Property taxes		9,425,114	8,565,564
Interest earnings		26,288	203,957
Claims reimbursement		29,163	5,080
Total revenues		13,526,111	13,234,567
Expenses:			
Salaries and benefits		5,980,867	6,639,889
Facilities and maintenance		3,452,210	3,577,492
Materials and services		1,428,669	1,629,059
Depreciation expense		1,185,858	1,189,522
Interest expense		59,852	69,900
Other expenses		-	16,678
Total expenses		12,107,456	13,122,540
Changes in net position		1,418,655	112,027
Net position, beginning of year		26,361,655	26,249,628
Net position, end of year	$	27,780,310	26,361,655

Statement of Activities

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by $1,418,655 during the fiscal year ended June 30, 2021, due to continued operations.

Total revenues increased by 2.20% or $291,544 from $13,234,567 to $13,526,111, due primarily to increases of $859,550 in property taxes, $318,596 in operating grants and contributions that were offset by a decrease of $445,000 in charges for services and $288,016 in capital grants and contributions.

Total expenses decreased by 7.745% or $1,015,084 from $13,122,540 to $12,107,456, due primarily to decreases of $659,022 in salaries and benefits, $200,390 in materials and services, and $125,282 in facilities and maintenance.

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, 2021:

Changes in Fund Balance – Governmental Fund

		General	Special Assessment	Total Fund Balance
Fund balance, beginning of year	$	10,878,955	533,562	11,412,517
Changes in fund balance		42,759	51,506	94,265
Fund balance, end of year	$	10,921,714	585,068	11,506,782

Total fund balance was $11,506,782 at June 30, 2021. The Special Assessment fund balance was $585,058 and the General fund was $10,921,714, which reflects the effect of changing the Golf Center Enterprise fund to a Governmental fund.

General Fund Budgetary Highlights

Actual expenditures for the District's General fund and Special Assessment fund were $826,306 less than budget. The variance is due primarily to the effects of facilities and maintenance of $149,112, materials and services of $174,064, and capital outlay of $460,935 less than budgeted. Actual revenues for the District's General fund and Special Assessment fund were less than the anticipated budget by $337,860. The variance is due primarily to the effects of property taxes of $537,888 less than budgeted; offset by registration and other fess of $185,477 more than budgeted.

Capital Asset Administration

		Balance 2020	Additions	Transfers/ Deletions	Balance 2021
Capital assets:					
Non-depreciable assets	$	4,289,505	2,414,187	-	6,703,692
Depreciable assets		25,295,463	81,026	(301,006)	25,075,483
Accumulated depreciation		(11,599,194)	(1,185,858)	286,481	(12,498,571)
Total capital assets, net	$	17,985,774	1,309,355	(14,525)	19,280,604

At the end of fiscal year 2021, the District's capital assets (net of accumulated depreciation) amounted to $19,280,604. This investment in capital assets includes land, construction-in-process, land improvements, buildings and structures, machinery and equipment, and vehicles. See note 3 for further information.

Debt Administration

		Balance 2020	Additions	Principal Payment	Balance 2021
Long-term debt:					
Lease payable	$	1,935,984	-	(176,082)	1,759,902

At the end of fiscal year 2021, the District's debt consists of a lease payable with an outstanding balance of $1,759,902. See note 5 further information.

Conditions Affecting Current Financial Position

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

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

Requests for Information

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

Basic Financial Statements

Desert Recreation District
Statement of Net Position
June 30, 2021

		2021
Current assets:		
Cash and cash equivalents (note 2)	$	9,395,902
Accounts receivable		763,711
Accrued interest receivable		6,918
Property taxes and assessments receivable		236,324
Prepaid expenses		229,266
Total current assets		10,632,121
Non-current assets:		
Investments (note 2)		2,001,841
Capital assets – not being depreciated (note 3)		6,703,692
Capital assets – being depreciated, net (note 3)		12,576,912
Total non-current assets		21,282,445
Total assets		31,914,566
Deferred outflows of resources:		
Deferred OPEB outflows (note 6)		9,189
Total deferred outflows of resources	$	9,189

Continued on next page

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Net Position, continued
June 30, 2021

		2021
Current liabilities:		
Accounts payable and accrued expenses	$	755,236
Accrued interest payable		19,828
Accrued wages and related payables		447,768
Deposits and unearned revenue		85,225
Long-term liabilities – due within one year:		
Compensated absences (note 4)		195,076
Lease obligation (note 5)		182,086
Total current liabilities		1,685,219
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)		21,675
Lease obligation (note 5)		1,577,816
Net OPEB liability (note 6)		678,311
Total non-current liabilities		2,277,802
Total liabilities		3,963,021
Deferred inflows of resources:		
Deferred OPEB inflows (note 6)		180,424
Total deferred inflows of resources		180,424
Net position: (note 8)		
Net investment in capital assets		17,520,702
Restricted		585,068
Unrestricted		9,674,540
Total net position	$	27,780,310

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net(Expense) Revenue and Changes in Net Position
Governmental activities:					
Recreation and park operations	$ 8,837,175	2,806,387	544,517	694,642	(4,791,629)
Assessment districts operations	3,210,429	-	-	-	(3,210,429)
Interest expense on long-term debt	59,852	-	-	-	(59,852)
Total	$ 12,107,456	2,806,387	544,517	694,642	(8,061,910)

General revenues:	
Property taxes and special assessments	$ 6,008,594
Redevelopment agency taxes	3,416,520
Interest earnings	26,288
Claims reimbursement	29,163
Total general revenues	9,480,565
Changes in net position	1,418,655
Net position, beginning of year	26,361,655
Net position, end of year	$ 27,780,310

See accompanying notes to the basic financial statements

Desert Recreation District
Balance Sheet – Governmental Funds
June 30, 2021

		General	Special Assessment	Total
Assets:				
Cash and cash equivalents	$	9,395,902	-	9,395,902
Investments		2,001,841	-	2,001,841
Accrued interest receivable		6,918	-	6,918
Accounts receivable		763,711	-	763,711
Property taxes and assessments receivable		125,596	110,728	236,324
Prepaid expenses		229,266	-	229,266
Due from other funds (note 7)		-	609,710	609,710
Total assets	$	12,523,234	720,438	13,243,672
Liabilities:				
Accounts payable and accrued expenses	$	619,866	135,370	755,236
Accrued wages and related payables		447,768	-	447,768
Due to other funds (note 7)		609,710	-	609,710
Deposits and unearned revenue		85,225	-	85,225
Total liabilities		1,762,569	135,370	1,897,939
Fund balance (note 9):				
Nonspendable		229,266	-	229,266
Restricted		-	585,068	585,068
Committed		678,311	-	678,311
Assigned		9,025,657	-	9,025,657
Unassigned		827,431	-	827,431
Total fund balance		10,760,665	585,068	11,345,733
Total liabilities and fund balance	$	12,523,234	720,438	13,243,672

Continued on next page

See accompanying notes to the basic financial statements

Desert Recreation District
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets
June 30, 2021

		2021
Reconciliation:		
Total Fund Balance of Governmental Funds	$	11,345,733
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.		19,280,604
Deferred outflows of resources applicable to the consumption of resources to be used in future periods.		9,189
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.		(19,828)
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		(216,751)
Net other post-employment benefit obligations		(678,311)
Lease agreement		(1,759,902)
Deferred inflows of resources applicable to the aquisition of resources to be used in future periods.		(180,424)
Net Position of Governmental Activities	$	27,780,310

See accompanying notes to the basic financial statements

Desert Recreation District
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Type Funds
For the Fiscal Year Ended June 30, 2021

	General	Special Assessment	Total
Revenues:			
Property taxes and special assessments:			
Property taxes	$ 3,059,921	-	3,059,921
Redevelopment agency taxes	3,416,520	-	3,416,520
Special assessments	-	2,948,673	2,948,673
Charges for services:			
Registration and other fees	1,038,626	-	1,038,626
Intergovernmental service fees	1,263,164	-	1,263,164
Facility and other rental revenues	466,217	-	466,217
Other revenues	38,380	-	38,380
Claims reimbursement	29,163	-	29,163
Operating grants and contributions	544,517	-	544,517
Capital grants and contributions	694,642	-	694,642
Investment earnings	26,288	-	26,288
Total revenues	10,577,438	2,948,673	13,526,111
Expenditures:			
Salaries and benefits	4,452,250	1,528,617	5,980,867
Facilities and maintenance	2,102,625	1,349,585	3,452,210
Materials and services	1,096,442	332,227	1,428,669
Capital outlay	2,458,640	36,573	2,495,213
Debt service:			
Principal	176,084	-	176,084
Interest	59,852	-	59,852
Total expenditures	10,345,893	3,247,002	13,592,895
Excess(Deficiency) of revenues over expenditures	231,545	(298,329)	(66,784)
Other financing sources(uses):			
Operating transfers in(out) (note 7)	(349,835)	349,835	-
Total other financing sources(uses)	(349,835)	349,835	-
Net change in fund balance	(118,290)	51,506	(66,784)
Fund balance, beginning of year	10,878,955	533,562	11,412,517
Fund balance, end of year	$ 10,760,665	585,068	11,345,733

Continued on next page

See accompanying notes to the basic financial statements.

Desert Recreation District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021

		2021
Reconciliation:		
Net Change in Fund Balance – Total Governmental Fund	$	(66,784)
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		2,495,213
Depreciation expense		(1,185,858)
Amortization and additions to deferred outflows of resources are not current financial resources and, therefore, are not reported as expenses in the governmental funds.		2,403
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		(15,033)
Compensated absences		(99,493)
Net other post-employment benefit obligations		(82,401)
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		176,082
Amortization and additions to deferred inflows of resources are not current financial resources and, therefore, are not reported as revenues in the governmental funds.		30,201
Other, net		164,325
Changes in Net Position of Governmental Activities	$	1,418,655

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

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

- **Assessment District 97-1, Thousand Palms Landscape and Lighting** – formed on July 23, 1997, the Thousand Palms Landscape and Lighting Assessment District provides improvements and continues to levy special assessments previously provided and levied by the County of Riverside. The District levied and collected annual assessments beginning in fiscal year 1998. Assessments are used to maintain and operate the Thousand Palms Community Center, recreation facilities, landscaping, and lighting maintenance.

- **Assessment District 93-1, Coachella Valley Landscape and Lighting** – formed in 1993, pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the Streets and Highways Code (1972 Act), the Coachella Valley Landscape and Lighting District No. 93-1 authorizes the District to annually levy and collect assessments to maintain the services and improvements related hereto in the Coachella Valley area.

- **Assessment District 02-1, Coachella Landscape and Lighting** – form on June 25, 2003, the Coachella Landscape and Lighting Assessment District No. 02-1 began collecting assessments in fiscal year 2004.

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

A. Organization and Operations of the Reporting Entity, continued

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

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

The District reports the following major governmental funds:

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

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

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

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

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

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

C. Financial Reporting, continued

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

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

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

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

1. Use of Estimates

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

2. Uncertainty

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

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

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

3. Cash and Cash Equivalents

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

4. Investments and Investment Policy

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

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

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

5. Fair Value Measurement

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

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

6. Property Taxes and Special Assessments

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

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

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

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

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

7. Prepaid Expenses

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

8. Capital Assets

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

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

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

9. Deferred Outflows of Resources

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

10. Compensated Absences

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

11. Deposits and Unearned Revenues

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

12. Deferred Inflows of Resources

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

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

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

13. Net Position

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

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

14. Fund Balance

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

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

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

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

14. Fund Balance, continued

Fund Balance Policy

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

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

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

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

(2) Cash and Investments

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

		2021
Cash and cash equivalents	$	9,395,902
Investments		2,001,841
Total governmental activities		11,397,743
Total cash and investments	$	11,397,743

(2) Cash and Investments, continued

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

		2021
Cash and cash equivalents:		
Cash on hand	$	500
Deposits with financial institutions		3,352,941
Total cash and cash equivalents		3,353,441
Invesmtents		
Certificate of deposit		2,001,841
California Local Agency Investment Fund		6,016,218
County of Riverside Treasurer's Pooled Investment Fund		4,529
Money market fund		21,714
Total investments		8,044,302
Total cash and investments	$	11,397,743

Authorized Deposits and Investments

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

California Local Agency Investment Fund

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

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

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

(2) Cash and Investments, continued

Riverside County Pooled Investment Fund

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

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the bank balance, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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

Interest Rate Risk

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

(2) Cash and Investments, continued

Interest Rate Risk, continued

As of June 30, 2021, the District's investments are scheduled to mature as follows:

		Remaining Maturity (in Months)		
Investment Type	Amount	12 Months Or Less	13 to 24 Months	25-60 Months
Certificate of deposit	$ 2,001,841	499,333	510,012	992,496
Local Agency Investment Fund (LAIF)	6,016,218	6,016,218	-	-
Riverside Treasurer's Pool Investment Fund	4,529	4,529	-	-
Money market fund	21,714	21,714	-	-
Total	$ 8,044,302	6,541,794	510,012	992,496

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:

		Minimum	Rating as of year-end	
Investment Type	Amount	Legal Rating	Fitch's AAA-BBB+	Not Rated
Certificate of deposit	$ 2,001,841	N/A	$ 2,001,841	-
Local Agency Investment Fund (LAIF)	6,016,218	N/A	-	6,016,218
Riverside Treasurer's Pool Investment Fund	4,529	N/A	4,529	-
Money market fund	21,714	N/A	-	21,714
Total	$ 8,044,302		$ 2,006,370	6,037,932

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, 2021.

(2) Cash and Investments, continued

Investments at Fair Value Hierarchy

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2021, are as follows:

		Fair Value Measurement at Reporting Date using:		
Description	**June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Certificate of deposit	$ 2,001,841	-	2,001,841	-
Total	2,001,841	-	2,001,841	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	6,016,218			
Riverside Treasurer's Pool Investment Fund	4,529			
Money market fund	21,714			
Total investments at amortized cost	6,042,461			
Total investments	$ 8,044,302			

(3) Capital Assets

Change in capital assets for 2021, was as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Land	$ 2,840,860	-	-	2,840,860
Construction-in-process	1,448,645	2,414,187	-	3,862,832
Total non-depreciable assets	4,289,505	2,414,187	-	6,703,692
Depreciable assets:				
Land improvements	8,833,932	36,573	-	8,870,505
Buildings and structures	13,724,013	-	-	13,724,013
Machinery and equipment	2,080,266	33,650	-	2,113,916
Vehicles	657,252	10,803	(301,006)	367,049
Total depreciable assets	25,295,463	81,026	(301,006)	25,075,483
Accumulated depreciation:				
Land improvements	(3,095,062)	(455,539)	(2,294)	(3,552,895)
Buildings and structures	(6,914,890)	(515,988)	-	(7,430,878)
Machinery and equipment	(1,090,330)	(175,465)	2,802	(1,262,993)
Vehicles	(498,912)	(38,866)	285,973	(251,805)
Total accumulated depreciation	(11,599,194)	(1,185,858)	286,481	(12,498,571)
Total depreciable assets, net	13,696,269	(1,104,832)	(14,525)	12,576,912
Total capital assets, net	$ 17,985,774			19,280,604

(4) Compensated Absences

Changes in compensated absence for 2021, were as follows:

	Balance 2020	Earned	Taken	Balance 2021
$	117,258	306,102	(206,609)	216,751

(5) Long-term Debt

Changes in long-term debt for 2021, were as follows:

		Balance 2020	Additions	Principal Payments	Balance 2021
Lease payable – 2023	$	355,984	-	(176,082)	179,902
Lease payable – 2030		1,580,000	-	-	1,580,000
Total		1,935,984	-	(176,082)	1,759,902
Less current portion		(176,084)			(182,086)
Total non-current	$	1,759,900			1,577,816

Lease

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

Lease Payable - 2023

Fiscal Year		Principal	Interest	Total
2022	$	134,709	4,568	139,277
2023		45,193	764	45,957
Total		179,902	5,332	185,234
Current		(134,709)		
Non-current	$	45,193		

(5) Long-term Debt

Lease Payable - 2030

Fiscal Year	Principal	Interest	Total
2022	$ 47,377	53,404	100,781
2023	143,101	51,002	194,103
2024	194,712	45,348	240,060
2025	201,349	38,712	240,061
2026	208,213	31,849	240,062
2027-2030	785,248	53,970	839,218
Total	1,580,000	274,285	1,854,285
Current	(47,377)		
Non-current	$ 1,532,623		

(6) Other Post-Employment Benefits Payable

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

	2021
Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	18
Total plan membership	21

Contributions

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

(6) Other Post-Employment Benefits Payable, continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

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

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

Discount Rate

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

Reporting date	June 30, 2021
Measurement date	June 30, 2020
Long-term expected return of Plan investments	5.00%
Municipal Bond 20 Year High Grade rate index	3.13%
Discount rate	5.00%

(6) Other Post-Employment Benefits Payable, continued

Changes in the Net OPEB Liability

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

		Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2020	$	1,310,870	714,960	595,910
Changes for the year:				
Service cost		45,596	-	45,596
Interest		67,549	-	67,549
Differences between expected and actual experience		-	-	-
Change in assumptions		-	-	-
Contributions – employer		-	1,075	(1,075)
Net investment income		-	33,904	(33,904)
Benefit payments		(11,118)	(11,118)	-
Administrative expense		-	(4,235)	4,235
Net change		102,027	19,626	82,401
Balance at June 30, 2021	$	1,412,897	734,586	678,311

Sensitivity of the OPEB Liability to Changes in the Discount Rate

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

		1% Decrease (4.0%)	Discount Rate (5.0%)	1% Increase (6.0%)
Net OPEB liability	$	893,470	678,311	500,827

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

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

		1% Decrease (5.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 5.0%)	1% Increase (7.0% decreasing to 6.0%)
Net OPEB liability	$	507,050	678,311	830,015

(6) Other Post-Employment Benefits Payable, continued

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

For the year ended June 30, 2021, the District recognized an OPEB expense of $50,872. At June 30, 2021, the District reported deferred inflows of resources related to OPEB from the follow source:

Description		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	-	(95,313)
Change of assumptions		-	(77,711)
Net difference between projected and actual earnings on OPEB investments		9,189	(7,400)
Total	$	9,189	(180,424)

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

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

(7) Internal Balances and Transfers

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

As of June 30, 2021, inter-fund receivables/payables between the District's funds were as follows:

Due from	Due to		Amount
General	Assessment	$	609,710

For the year ended June 30, 2021, inter-fund transfers consist of the following:

Transfer from	Transfer to		Amount
General	Assessment	$	349,835

(8) Net Position

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

		2021
Net investments in capital assets:		
Capital assets – not being depreciated	$	6,703,692
Capital assets – being depreciated, net		12,576,912
Lease		(1,759,902)
Total net investment in capital assets		17,520,702
Restricted:		
Assessment districts		585,068
Total restricted		585,068
Unrestricted		9,674,540
Total net position	$	27,780,310

(9) Fund Balance

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

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

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

(9) Fund Balance, continued

A detailed schedule of fund balance and their funding composition at June 30, 2021, is as follows:

Description		General Fund	Assessment Fund	Governmental Total
Nonspendable:				
Prepaid expenses	$	229,266	-	229,266
Restricted:				
Assessment districts		-	585,068	585,068
Total restricted		-	585,068	585,068
Committed:				
Net OPEB obligations		678,311	-	678,311
Assigned:				
Compensated absences		216,751	-	216,751
Minimum operating reserve		4,094,925	-	4,094,925
Capital replacement reserve		4,713,981	-	4,713,981
Total assigned		9,025,657	-	9,025,657
Unassigned:				
Operations		827,431	-	827,431
Total fund balance	$	10,760,665	585,068	11,345,733

(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, 2021, totaled $234,736.

Part-time, Seasonal, and Temporary Employees

The District's part-time, seasonal, and temporary employees are eligible to participate in the Public Agency Retirement Services Alternate Retirement System 457 Plan (PARS), which is compliant with the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) requiring that governmental employees who are not members of the District's retirement plan to be covered by Social Security or an alternate plan. PARS participants contribute 3.75% of their salary and the District contributes 3.75% of each participant's salary. Employer contributions for the fiscal year ending June 30, 2021, totaled $101,480.

(11) Risk Management

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

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

All risk property insurance and crime insurance are purchased from commercial insurance companies on behalf of the District. Claims administration for the liability program is provided by Carl Warren & Company. At June 30, 2021, the District participated in the liability and property programs of the Authority as follows:

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

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

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

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

Governmental Accounting Standards Board Statement No. 87

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

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

Governmental Accounting Standards Board Statement No. 87, continued

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

Governmental Accounting Standards Board Statement No. 89

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

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

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

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

Governmental Accounting Standards Board Statement No. 91

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

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

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

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

Governmental Accounting Standards Board Statement No. 91, continued

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

Governmental Accounting Standards Board Statement No. 92

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

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

Governmental Accounting Standards Board Statement No. 93

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

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

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

Governmental Accounting Standards Board Statement No. 94

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

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

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

Governmental Accounting Standards Board Statement No. 96

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

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

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

Governmental Accounting Standards Board Statement No. 97

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

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

(13) Contingencies

Grant Awards

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

Litigation

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

(14) Subsequent Events

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of December 8, 2021, 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, 2021

Budgets and Budgetary Data

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Revenues:					
Property taxes and special assessments					
Property taxes	$ 2,966,377	631,432	3,597,809	3,059,921	(537,888)
Redevelopment agency taxes	2,840,882	575,637	3,416,519	3,416,520	1
Special assessments	2,893,354	-	2,893,354	2,948,673	55,319
Charges for services					
Registration and other fees	2,079,995	(1,226,846)	853,149	1,038,626	185,477
Intergovernmental service fees	2,157,169	(820,165)	1,337,004	1,263,164	(73,840)
Facilities and other rental revenues	98,096	384,928	483,024	466,217	(16,807)
Other revenues	38,540	(17,644)	20,896	38,380	17,484
Claims reimbursement	-	20,163	20,163	29,163	9,000
Operating grants and contributions	536,403	(65,677)	470,726	544,517	73,791
Capital grants and contributions	2,511,625	(1,816,983)	694,642	694,642	-
Investment earnings	165,960	(89,275)	76,685	26,288	(50,397)
Total revenues	16,288,401	(2,424,430)	13,863,971	13,526,111	(337,860)
Expenditures:					
Salaries and benefits	7,040,075	(1,021,134)	6,018,941	5,980,867	38,074
Facilities and maintenance	4,106,796	(505,474)	3,601,322	3,452,210	149,112
Materials and services	2,493,266	(890,533)	1,602,733	1,428,669	174,064
Capital outlay	4,306,328	(1,350,180)	2,956,148	2,495,213	460,935
Debt service:					
Principal	176,084	-	176,084	176,084	-
Interest	63,973	-	63,973	59,852	4,121
Total expenditures	18,186,522	(3,767,321)	14,419,201	13,592,895	826,306
Net change in fund balance	(1,898,121)	1,342,891	(555,230)	(66,784)	488,446
Fund balance, beginning of year	11,412,517			11,412,517	
Fund balance, end of year	$ 9,514,396			11,345,733	

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, 2021
Last Ten Years*

Other Post-Employment Benefits Payable

		2021	2020	2019	2018
Total OPEB liability					
Service cost	$	45,596	47,740	59,120	57,398
Interest		67,549	73,496	65,463	60,104
Difference between expected and actual experience		-	(125,099)	-	-
Change in assumptions		-	(101,995)	-	-
Benefit payments		(11,118)	(10,767)	(12,558)	(8,106)
Net change in total OPEB liability		102,027	(116,625)	112,025	109,396
Total OPEB liability – beginning		1,310,870	1,427,495	1,315,470	1,206,074
Total OPEB liability – ending	$	1,412,897	1,310,870	1,427,495	1,315,470
Plan fiduciary net position					
Contributions – employer	$	1,075	2,210	-	-
Net investment income		33,904	48,148	25,775	42,465
Benefit payments		(11,118)	(10,767)	(12,558)	(8,106)
Administrative epxense		(4,235)	(3,817)	(3,901)	(5,374)
Net change in plan fiduciary net position		19,626	35,774	9,316	28,985
Total fiduciary net position – beginning		714,960	679,186	669,870	640,885
Total fiduciary net position – ending	$	734,586	714,960	679,186	669,870
District's net OPEB liability – ending	$	678,311	595,910	748,309	645,600
Covered-employee payroll		1,222,417	1,215,438	845,273	1,187,724
District's net OPEB liability as a percentage of covered-employee payroll		55.49%	49.03%	88.53%	54.36%

Note to Schedule

Change in Benefit Terms – There were no changes to benefit terms for the measurement period ended June 30, 2021.

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

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

Supplementary Information

Desert Recreation District
Schedule of Special Assessment Fund–
Combining Balance Sheet
June 30, 2021

		Assessment Districts					
		97-1	02-1	03-1	93-1	01-1	2021
Assets:							
Property taxes and assessments receivable	$	23,108	834	-	24,437	62,349	110,728
Due from other funds		(2,313)	9,139	561,602	76,312	(35,030)	609,710
Total assets	$	20,795	9,973	561,602	100,749	27,319	720,438
Liabilities:							
Accounts payable and accrued expenses	$	20,795	9,973	5,557	71,726	27,319	135,370
Total liabilities		20,795	9,973	5,557	71,726	27,319	135,370
Fund balance:							
Restricted		-	-	556,045	29,023	-	585,068
Total fund balance		-	-	556,045	29,023	-	585,068
Total liabilities and fund balance	$	20,795	9,973	561,602	100,749	27,319	720,438

Desert Recreation District
Schedule of Special Assessment Fund –
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2021

		Assessment Districts					
		97-1	**02-1**	**03-1**	**93-1**	**01-1**	**2021**
Revenues:							
Property taxes and special assessments							
Special assessments	$	383,968	112,269	106,720	798,951	1,546,765	2,948,673
Total revenues		383,968	112,269	106,720	798,951	1,546,765	2,948,673
Expenditures:							
Salaries and benefits		105,158	-	-	855,434	568,025	1,528,617
Facilities and maintenance		235,931	123,029	39,981	720,011	230,633	1,349,585
Materials and services		33,301	9,981	7,683	172,829	108,433	332,227
Capital outlay		-	-	36,573	-	-	36,573
Total expenditures		374,390	133,010	84,237	1,748,274	907,091	3,247,002
Excess(Deficiency) of revenues over expenditures		9,578	(20,741)	22,483	(949,323)	639,674	(298,329)
Other financing sources(uses):							
Operating transfers in(out)		(9,578)	20,741	-	978,346	(639,674)	349,835
Net change in fund balance		-	-	22,483	29,023	-	51,506
Fund balance, beginning of year		-	-	533,562	-	-	533,562
Fund balance, end of year	$	-	-	556,045	29,023	-	585,068

Report on Internal Controls and Compliance

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Certified Public Accountants

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

Board of Directors
Desert Recreation District
Indio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Desert Recreation District (District) as of and for the year ended June 30, 2021, 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 8, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 8, 2021