



**Desert Recreation District**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2025**



## **Mission Statement**

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

### **Desert Recreation District**

#### **Board of Directors as of June 30, 2025**

<b>Name</b>	<b>Title</b>	<b>Term</b>
Natalia Gonzalez	President	12/2022 - 12/2026
Karina Rodriguez	Vice President	12/2024 - 12/2028
Giovanna Healy	Director	12/2024 - 12/2028
Luis Espinoza	Director	12/2024 - 12/2028
Rudy Acosta	Director	12/2022 - 12/2026

### **Desert Recreation District**

**Gabriel Martin, General Manager**

**45-305 Oasis Street**

**Indio, California 92201**

**(760) 347-3484**

**[www.myrecreationdistrict.com](http://www.myrecreationdistrict.com)**

**Desert Recreation District**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2025**

**Desert Recreation District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2025**

**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Financial Section</b>	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9-10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Type Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	15
Notes to the Basic Financial Statements	16-37
<b>Required Supplementary Information Section</b>	
Budgetary Comparison Schedule – General Fund & Special Assessment Fund	38
Notes to Required Supplementary Information	38
Schedules of Change in the District’s OPEB Liability and Related Ratios	39-40
<b>Supplementary Information Section</b>	
Combining Balance Sheet - Special Assessment Fund	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Special Assessment Fund	42
<b>Report on Internal Controls and Compliance</b>	
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 <i>Government Auditing Standards</i>	43-44

# **Financial Section**





# C.J. Brown & Company CPAs

## An Accountancy Corporation

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer  
Michael Howell, CPA

### **Independent Auditor's Report**

Board of Directors  
Desert Recreation District  
Indio, California

#### **Report on the Audit of Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Desert Recreation District (District), which comprises the statement of net position as of June 30, 2025, and the related statement of activities for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Desert Recreation District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

## **Independent Auditor's Report, continued**

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, and the required supplementary information on pages 38 through 40, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Independent Auditor's Report, continued

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining balance sheet – special assessment fund and combining statement of revenues, expenditures, and changes in fund balance – special assessment fund on pages 41 and 42, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 25, 2026, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 43 and 44.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
March 25, 2026

**Desert Recreation District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2025**

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, 2025 (with comparative information for fiscal year ended June 30, 2024). 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 12.85% or \$3,951,653, from \$30,756,125 to \$34,707,778.
- Total revenues increased by 13.75% or \$3,290,661 from \$23,929,266 to \$27,219,927.
- Total expenses increased by 4.63% or \$1,028,715 from \$22,239,559 to \$23,268,274.

**Using This Financial Report**

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

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

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

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

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

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

**Desert Recreation District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2025**

**Governmental Funds Financial Statements**

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

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 37.

**Government-wide Financial Analysis**

**Statement of Net Position**

**Condensed Statements of Net Position**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 18,139,546	14,038,954	4,100,592
Non-current assets	1,701,930	1,881,591	(179,661)
Capital assets, net	<u>31,881,042</u>	<u>19,301,154</u>	<u>12,579,888</u>
<b>Total assets</b>	<u>51,722,518</u>	<u>35,221,699</u>	<u>16,500,819</u>
<b>Deferred outflows of resources:</b>			
Deferred OPEB outflows	<u>144,930</u>	<u>193,984</u>	<u>(49,054)</u>
<b>Total deferred outflows of resources</b>	<u>144,930</u>	<u>193,984</u>	<u>(49,054)</u>
<b>Liabilities:</b>			
Current liabilities	3,514,852	2,500,583	1,014,269
Non-current liabilities	<u>13,461,602</u>	<u>1,931,444</u>	<u>11,530,158</u>
<b>Total liabilities</b>	<u>16,976,454</u>	<u>4,432,027</u>	<u>12,544,427</u>
<b>Deferred inflows of resources:</b>			
Deferred OPEB inflows	<u>183,216</u>	<u>227,531</u>	<u>(44,315)</u>
<b>Total deferred inflows of resources</b>	<u>183,216</u>	<u>227,531</u>	<u>(44,315)</u>
<b>Net position:</b>			
Net investment in capital assets	18,989,635	18,106,483	883,152
Unrestricted	<u>15,718,143</u>	<u>12,649,642</u>	<u>3,068,501</u>
<b>Total net position</b>	<u>\$ 34,707,778</u>	<u>30,756,125</u>	<u>3,951,653</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,707,778 as of June 30, 2025.

**Desert Recreation District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2025**

**Government-wide Financial Analysis, continued**

**Statement of Net Position, continued**

The largest portion of the District's net position (55% or \$18,989,635) 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 2025, the District shows a positive balance in its unrestricted net position of \$15,718,143 that may be utilized in future years.

**Statement of Activities**

**Condensed Statements of Activities**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 8,857,465	8,444,708	412,757
Operating grants and contributions	432,540	527,718	(95,178)
Capital grants and contributions	4,603,170	1,638,591	2,964,579
General revenues:			
Property taxes	12,857,910	12,031,256	826,654
Interest earnings	465,396	435,137	30,259
Claims reimbursement	3,446	851,856	(848,410)
<b>Total revenues</b>	<u>27,219,927</u>	<u>23,929,266</u>	<u>3,290,661</u>
<b>Expenses:</b>			
Salaries and benefits	11,998,658	10,515,717	1,482,941
Facilities and maintenance	6,642,950	7,556,949	(913,999)
Materials and services	3,071,127	2,775,044	296,083
Depreciation expense	1,529,181	1,348,840	180,341
Interest expense	26,358	43,009	(16,651)
<b>Total expenses</b>	<u>23,268,274</u>	<u>22,239,559</u>	<u>1,028,715</u>
<b>Changes in net position</b>	3,951,653	1,689,707	2,261,946
<b>Net position, beginning of year, as restated</b>	<u>30,756,125</u>	<u>29,066,418</u>	<u>1,689,707</u>
<b>Net position, end of year</b>	<u>\$ 34,707,778</u>	<u>30,756,125</u>	<u>3,951,653</u>

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 \$3,951,653 during the fiscal year ended June 30, 2025, due to continued operations.

Total revenues increased by 12.85% or \$3,290,661, due primarily to increases of 2,964,579 in capital grants and contributions, \$826,654 in property taxes, and \$412,757 in charges for services; which were offset by decreases of \$848,410, and \$95,178 in claims reimbursement and operating grants and contributions.

Total expenses increased by 4.63% or \$1,028,715, due primarily to increases of \$1,482,941 in salaries and benefits, \$296,083 in materials and services, and \$180,341 in depreciation; which were offset by a decrease of \$913,999 in facilities and maintenance.

**Desert Recreation District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year Ended June 30, 2025**

**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, 2025:

	<u>General</u>	<u>Special Assessment</u>	<u>Total Fund Balance</u>
Fund balance, beginning of year	\$ 13,930,433	-	13,930,433
Changes in fund balance	<u>3,124,001</u>	-	<u>3,124,001</u>
Fund balance, end of year	<u>\$ 17,054,434</u>	<u>-</u>	<u>17,054,434</u>

Total fund balance was \$17,054,434 at June 30, 2025. The General fund balance was \$17,054,434 and the Special Assessment fund was \$0. See note 12 for further discussion.

**General Fund Budgetary Highlights**

Actual expenditures for the District's General fund and Special Assessment fund were \$2,381,996 greater than the budget. The variance is due primarily to the effects of capital outlay of \$2,475,663 being greater than budgeted. Actual revenues for the District's General fund and Special Assessment fund were less than the anticipated budget by \$5,500,070. The variance is due primarily to the effects of intergovernmental service fees and capital grants and contributions being less than budgeted by \$3,504,575 and \$2,054,518, respectively. The General fund and Special Assessment fund budget to actual comparison schedule can be found on page 38.

**Capital Asset Administration**

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Capital assets:				
Non-depreciable assets	\$ 4,823,551	4,394,032	(726,536)	8,491,047
Depreciable assets	30,554,806	10,441,573	-	40,996,379
Accumulated depreciation	<u>(16,077,203)</u>	<u>(1,529,181)</u>	-	<u>(17,606,384)</u>
Total capital assets, net	<u>\$ 19,301,154</u>	<u>13,306,424</u>	<u>(726,536)</u>	<u>31,881,042</u>

At the end of fiscal year 2025, the District's capital assets (net of accumulated depreciation) amounted to \$31,881,042. This investment in capital assets includes land, construction-in-process, land improvements, buildings and structures, machinery and equipment, and vehicles. See note 7 for further information.

**Debt Administration**

	<u>Balance 2024</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>Balance 2025</u>
Lease obligation				
Palm Desert Community Center	\$ -	6,898,086	-	6,898,086
Note payable				
Grant Anticipation Note	-	5,000,000	-	5,000,000
Finance Agreement				
CSDA Finance Corporation	<u>1,194,671</u>	-	<u>(201,349)</u>	<u>993,322</u>
Total debt	<u>\$ 1,194,671</u>	<u>11,898,086</u>	<u>(201,349)</u>	<u>12,891,408</u>

**Desert Recreation District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Year Ended June 30, 2025**

**Debt Administration, continued**

At the end of fiscal year 2025, the District's long-term debt primarily increased due to the District's lease obligation to the City of Palm Desert regarding the renovation of the Palm Desert Community Center amounting to \$6,898,086, and the issuance of the Grant Anticipation Note regarding the renovation of the Thermal Park amounting to \$5,000,000. See note 9 for further information.

**Conditions Affecting Current Financial Position**

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 Finance Manager, Sonya Galvez, 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, 2025**

	<u>2025</u>
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 14,464,176
Investments – current (note 2)	238,943
Accounts receivable	1,151,878
Intergovernmental receivable (note 4)	1,130,515
Grant receivable (note 5)	589,961
Accrued interest receivable	11,936
Property taxes and assessments receivable	287,793
Prepaid expenses	<u>264,344</u>
<b>Total current assets</b>	<u>18,139,546</u>
<b>Non-current assets:</b>	
Investments - non-current (note 2)	1,701,930
Capital assets – not being depreciated (note 7)	8,491,047
Capital assets – being depreciated, net (note 7)	<u>23,389,995</u>
<b>Total non-current assets</b>	<u>33,582,972</u>
<b>Total assets</b>	<u>51,722,518</u>
<b>Deferred outflows of resources:</b>	
Deferred OPEB outflows (note 10)	<u>144,930</u>
<b>Total deferred outflows of resources</b>	<u>\$ 144,930</u>

Continued on next page

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Statement of Net Position, continued**  
**June 30, 2025**

	<b>2025</b>
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 1,427,922
Accrued interest payable	11,193
Accrued wages and related payables	1,230,328
Deposits and unearned revenue	128,792
Long-term liabilities – due within one year:	
Compensated absences (note 8)	278,468
Lease obligation (note 9)	229,936
Finance lease payable (note 9)	208,213
<b>Total current liabilities</b>	<b>3,514,852</b>
<b>Non-current liabilities:</b>	
Long-term liabilities – due in more than one year:	
Compensated absences (note 8)	30,941
Lease obligation (note 9)	6,668,150
Note payable (note 9)	5,000,000
Finance lease payable (note 9)	785,108
Net OPEB liability (note 10)	977,403
<b>Total non-current liabilities</b>	<b>13,461,602</b>
<b>Total liabilities</b>	<b>16,976,454</b>
<b>Deferred inflows of resources:</b>	
Deferred OPEB inflows (note 10)	183,216
<b>Total deferred inflows of resources</b>	<b>183,216</b>
<b>Net position: (note 11)</b>	
Net investment in capital assets	18,989,635
Unrestricted	15,718,143
<b>Total net position</b>	<b>\$ 34,707,778</b>

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2025**

		<b>Program Revenues</b>			<b>Net(Expense)</b>
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>	<b>Changes in</b>
			<b>Contributions</b>	<b>Contributions</b>	<b>Net Position</b>
<b>Governmental activities:</b>					
Recreation and park operations	\$ 15,897,906	8,857,465	432,540	4,603,170	(2,004,731)
Assessment districts operations	7,333,937	-	-	-	(7,333,937)
Interest expense on long-term debt	36,431	-	-	-	(36,431)
<b>Total</b>	<b>\$ 23,268,274</b>	<b>8,857,465</b>	<b>432,540</b>	<b>4,603,170</b>	<b>(9,375,099)</b>
 <b>General revenues:</b>					
Property taxes and special assessments				\$ 7,182,262	
Redevelopment agency taxes				5,675,648	
Investment return				465,396	
Claims reimbursement				3,446	
<b>Total general revenues</b>				<b>13,326,752</b>	
<b>Changes in net position</b>					<b>3,951,653</b>
<b>Net position, beginning of year, as restated (Note 13)</b>					<b>30,756,125</b>
<b>Net position, end of year</b>					<b>\$ 34,707,778</b>

**Desert Recreation District**  
**Balance Sheet – Governmental Funds**  
**June 30, 2025**

	<b>General</b>	<b>Special Assessment</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 14,464,176	-	14,464,176
Investments	1,940,873	-	1,940,873
Accounts receivable	1,151,878	-	1,151,878
Intergovernmental receivable	1,130,515	-	1,130,515
Grant receivable	589,961	-	589,961
Accrued interest receivable	11,936	-	11,936
Property taxes and assessments receivable	185,813	101,980	287,793
Prepaid expenses	264,344	-	264,344
Due from other funds (note 3)	-	62,130	62,130
<b>Total assets</b>	<b>\$ 19,739,496</b>	<b>164,110</b>	<b>19,903,606</b>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 1,263,812	164,110	1,427,922
Accrued wages and related payables	1,230,328	-	1,230,328
Due to other funds (note 3)	62,130	-	62,130
Deposits and unearned revenue	128,792	-	128,792
<b>Total liabilities</b>	<b>2,685,062</b>	<b>164,110</b>	<b>2,849,172</b>
<b>Fund balance (note 12):</b>			
Nonspendable	264,344	-	264,344
Committed	977,403	-	977,403
Assigned	9,118,315	-	9,118,315
Unassigned	6,694,372	-	6,694,372
<b>Total fund balance</b>	<b>17,054,434</b>	<b>-</b>	<b>17,054,434</b>
<b>Total liabilities and fund balance</b>	<b>\$ 19,739,496</b>	<b>164,110</b>	<b>19,903,606</b>

Continued on next page

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Reconciliation of the Balance Sheet of Governmental**  
**Type Funds to the Statement of Net Position**  
**June 30, 2025**

	<b>2025</b>
<b>Reconciliation:</b>	
<b>Fund Balance - Governmental Funds</b>	<b>\$ 17,054,434</b>
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.	31,881,042
Deferred outflows of resources applicable to the consumption of resources to be used in future periods.	144,930
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.	(11,193)
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	(309,409)
Net other post-employment benefit obligations	(977,403)
Lease obligation	(6,898,086)
Note payable	(5,000,000)
Finance lease payable	(993,322)
Deferred inflows of resources applicable to the acquisition of resources to be used in future periods.	
Deferred OPEB inflows	(183,215)
<b>Total adjustments</b>	<b>17,653,344</b>
<b>Net position of governmental activities</b>	<b>\$ 34,707,778</b>

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, 2025**

	<u>General</u>	<u>Special Assessment</u>	<u>Total</u>
<b>Revenues:</b>			
Property taxes and special assessments:			
Property taxes	\$ 4,023,478	-	4,023,478
Redevelopment agency taxes	5,675,648	-	5,675,648
Special assessments	-	3,158,784	3,158,784
Charges for services:			
Registration and other fees	2,623,526	-	2,623,526
Intergovernmental service fees	4,403,508	-	4,403,508
Facility and other rental revenues	159,148	-	159,148
Other revenues	1,671,282	-	1,671,282
Claims reimbursement	3,446	-	3,446
Operating grants and contributions	432,540	-	432,540
Capital grants and contributions	4,592,248	10,923	4,603,171
Investment return	465,396	-	465,396
<b>Total revenues</b>	<u>24,050,220</u>	<u>3,169,707</u>	<u>27,219,927</u>
<b>Expenditures:</b>			
Salaries and benefits	9,169,998	2,770,891	11,940,889
Facilities and maintenance	4,188,895	2,454,055	6,642,950
Materials and services	2,449,888	623,509	3,073,397
Capital outlay	12,623,585	1,485,484	14,109,069
Debt service:			
Principal	201,349	-	201,349
Interest	26,358	-	26,358
<b>Total expenditures</b>	<u>28,660,073</u>	<u>7,333,939</u>	<u>35,994,012</u>
Excess(Deficiency) of revenues over expenditures	<u>(4,609,853)</u>	<u>(4,164,232)</u>	<u>(8,774,085)</u>
<b>Other financing sources(uses):</b>			
Proceeds from issuance of debt	11,898,086	-	11,898,086
Operating transfers in(out) (note 3)	<u>(4,164,232)</u>	<u>4,164,232</u>	<u>-</u>
<b>Total other financing sources(uses)</b>	<u>7,733,854</u>	<u>4,164,232</u>	<u>11,898,086</u>
<b>Net change in fund balance</b>	3,124,001	-	3,124,001
<b>Fund balance, beginning of year</b>	<u>13,930,433</u>	<u>-</u>	<u>13,930,433</u>
<b>Fund balance, end of year</b>	<u>\$ 17,054,434</u>	<u>-</u>	<u>17,054,434</u>

Continued on next page

See accompanying notes to the basic financial statements.

**Desert Recreation District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of Governmental Type Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2025**

	<b>2025</b>
<b>Reconciliation:</b>	
<b>Net Change in Fund Balance – Governmental Funds</b>	<b>\$ 3,124,001</b>
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	14,109,069
Depreciation expense	(1,529,181)
Amortization and additions to deferred outflows of resources are not current financial resources and, therefore, are not reported as expenses in the governmental funds.	(49,054)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in the governmental fund as follows:	
Accrued interest payable	2,269
Compensated absences	19,102
Net other post-employment benefit obligations	(72,132)
The issuance of long-term debt provides current financial resources and the 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:	
Proceeds from capital lease obligation	(6,898,086)
Proceeds from issuance of note	(5,000,000)
Debt service principal - Finance lease payable	201,349
Amortization and additions to deferred inflows of resources are not current financial resources and, therefore, are not reported as revenues in the governmental funds.	
Deferred OPEB inflows	44,316
<b>Total adjustments</b>	<b>827,652</b>
<b>Change in net position of governmental activities</b>	<b>\$ 3,951,653</b>

See accompanying notes to the basic financial statements

**Desert Recreation District**  
**Notes to the Basic Financial Statements**  
**June 30, 2025**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

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

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

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

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

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

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

**A. Organization and Operations of the Reporting Entity, continued**

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

**B. Basis of Accounting and Measurement Focus**

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

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

***Government-wide Financial Statements***

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

***Fund Financial Statements***

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

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

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

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

**B. Basis of Accounting and Measurement Focus, continued**

*Fund Financial Statements, continued*

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

The District reports the following major governmental funds:

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

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

**C. Financial Reporting**

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

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

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

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

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

**1. Use of Estimates**

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

**2. Cash and Cash Equivalents**

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

**3. Investments and Investment Policy**

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

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

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

**4. Fair Value Measurement**

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

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

**5. Property Taxes and Special Assessments**

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

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

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

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

**5. Property Taxes and Special Assessments**

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

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

**6. Prepaid Expenses**

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

**7. Capital Assets**

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

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

Right to use asset are amortized on a straight-line basis over the life of the lease term.

**8. Deferred Outflows of Resources**

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

**9. Compensated Absences**

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

**10. Lease obligations**

The District's lease obligation is measured at the present value of payments expected to be paid during the lease term.

**11. Deposits and Unearned Revenues**

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

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

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

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

**12. Deferred Inflows of Resources**

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

**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.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(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 in the accompanying financial statements as follows:

	<b>2025</b>
Cash and cash equivalents	\$ 14,464,176
Investments - current	238,943
Investments - non-current	1,701,930
Total governmental activities	16,405,049
Total cash and investments	\$ 16,405,049

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

	<b>2025</b>
Cash and cash equivalents:	
Cash on hand	\$ 500
Deposits with financial institutions	2,793,429
Total cash and cash equivalents	2,793,929
Investments	
Certificate of deposit	1,940,873
California CLASS Investment Pool	11,239,338
California Local Agency Investment Fund	285,349
County of Riverside Treasurer's Pooled Investment Fund	105,855
Money market fund	39,705
Total investments	13,611,120
Total cash and investments	\$ 16,405,049

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(2) Cash and Investments, continued**

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

	<b>2025</b>
Deposits held with the County of Riverside Treasurer's Pooled Investment Fund	467 days
Deposits held with California CLASS Investment Pool (CLASS)	75 days
Deposits held with the California Local Agency Investment Fund (LAIF)	248 days

***Authorized Deposits and Investments***

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

***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, 4<sup>th</sup> Floor – Capital Markets, Riverside, CA 92506, or the Treasurer and Tax Collector’s Office website at [www.countytreasurer.org](http://www.countytreasurer.org).

***Investment in California CLASS***

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

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

***California Local Agency Investment Fund***

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

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(2) Cash and Investments, continued**

***California Local Agency Investment Fund, continued***

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

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

***Custodial Credit Risk***

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

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

***Interest Rate Risk***

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

As of June 30, 2025, the District's investments mature as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Certificate of deposit	\$ 1,940,873	238,943	716,106	985,824
California CLASS Investment Pool	11,239,338	11,239,338	-	-
Local Agency Investment Fund (LAIF)	285,349	285,349	-	-
Riverside Treasurer's Pool Investment Fund	105,855	105,855	-	-
Money market fund	39,705	39,705	-	-
<b>Total</b>	<b>\$ 13,611,120</b>	<b>11,909,190</b>	<b>716,106</b>	<b>985,824</b>

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(2) Cash and Investments, continued**

***Credit Risk***

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

Credit ratings of investments as of June 30, 2025, were as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of year-end		
			Fitch's AAA-BBB+	S&P AAAm	Not Rated
Certificate of deposit	\$ 1,940,873	N/A	\$ 1,940,873	-	-
California CLASS Investment Pool	11,239,338	N/A	-	11,239,338	-
Local Agency Investment Fund (LAIF)	285,349	N/A	-	-	285,349
Riverside Treasurer's Pool Investment Fund	105,855	N/A	105,855	-	-
Money market fund	39,705	N/A	-	-	39,705
<b>Total</b>	<b>\$ 13,611,120</b>		<b>\$ 2,046,728</b>	<b>11,239,338</b>	<b>325,054</b>

***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, 2025.

***Investments at Fair Value Hierarchy***

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2025, are as follows:

Description	June 30, 2025	Fair Value Measurement at Reporting Date using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 1,940,873	-	1,940,873	-
California CLASS Investment Pool	11,239,338		11,239,338	
<b>Total</b>	<b>13,180,211</b>	<b>-</b>	<b>13,180,211</b>	<b>-</b>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	285,349			
Riverside Treasurer's Pool Investment Fund	105,855			
Money market fund	39,705			
<b>Total investments at amortized cost</b>	<b>430,909</b>			
<b>Total investments</b>	<b>\$ 13,611,120</b>			

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(3) Internal Transfers**

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

As of June 30, 2025, inter-fund receivables/payables between the District’s funds were as follows:

<b>Due from</b>	<b>Due to</b>	<b>Amount</b>
General	Assessment	\$ <u>62,130</u>

For the year ended June 30, 2025, inter-fund transfers consist of the following:

<b>Transfer from</b>	<b>Transfer to</b>	<b>Amount</b>
General	Assessment	\$ <u>4,164,232</u>

**(4) Intergovernmental receivable**

The balance at June 30 consists of the following:

	<b>2025</b>
Coachella Valley Mountains Conservancy	\$ 399,379
County of Riverside	<u>731,136</u>
Total	\$ <u>1,130,515</u>

**(5) Grant receivable**

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

As of June 30, 2025, total grant receivable from the State of California amounted to \$589,961.

**(6) 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, 2025, totaled \$418,901.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(6) Pension Plans, continued**

***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, 2025, totaled \$164,968.

**(7) Capital Assets**

Changes in capital assets for the year ended June 30, 2025, were as follows:

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Non-depreciable assets:				
Land	\$ 3,390,222	1,797,044	-	5,187,266
Construction-in-process	1,433,329	2,596,988	(726,536)	3,303,781
Total non-depreciable assets	<u>4,823,551</u>	<u>4,394,032</u>	<u>(726,536)</u>	<u>8,491,047</u>
Depreciable assets:				
Right to use asset (leased property)	-	7,071,009	-	7,071,009
Land improvements	13,460,157	1,017,084	-	14,477,241
Buildings and structures	13,959,442	2,002,543	-	15,961,985
Machinery and equipment	2,937,725	337,688	-	3,275,413
Vehicles	197,482	13,249	-	210,731
Total depreciable assets	<u>30,554,806</u>	<u>10,441,573</u>	<u>-</u>	<u>40,996,379</u>
Accumulated depreciation:				
Right to use asset (leased property)	-	(19,642)	-	(19,642)
Land improvements	(5,330,545)	(824,895)	-	(6,155,440)
Buildings and structures	(8,823,304)	(449,884)	-	(9,273,188)
Machinery and equipment	(1,772,561)	(219,980)	-	(1,992,541)
Vehicles	(150,793)	(14,780)	-	(165,573)
Total accumulated depreciation	<u>(16,077,203)</u>	<u>(1,529,181)</u>	<u>-</u>	<u>(17,606,384)</u>
Total depreciable assets, net	<u>14,477,603</u>	<u>8,912,392</u>	<u>-</u>	<u>23,389,995</u>
Total capital assets, net	<u>\$ 19,301,154</u>			<u>31,881,042</u>

Major depreciable capital asset additions during the fiscal year ended 2025 consists of additions to the following categories: right to use asset (leased property), buildings and structures, land improvements, and machinery and equipment. A significant portion of District's ongoing projects were constructed by District's subcontractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expense was charged to the District's general fund.

As of June 30, 2025, right to use asset (leased property) amounting to \$7,071,009 includes tenant improvements (improvements) specifically for the District utilizing the Palm Desert Community Center as a facility for the District's recreational programs, which enhances the District's ability to deliver services and are integral to its operations. Of the total right to use asset amount of \$7,071,009, the District paid \$172,923, and City paid \$6,898,086 to the District, which will be repaid by the District through its Final Project Close-Out and Acceptance Agreement with the City. (See Note 9 for a detailed discussion).

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(8) Compensated Absences**

The District recognizes liability for compensated absences in accordance with GASB Statement No. 101, “Compensated Absences”. Compensated absences include unpaid vacation leave, which is accrued as earned, which are expected to be settled through paid time off or cash payments upon termination or retirement.

As of June 30, 2025, the liability for compensated absences was calculated based on employees’ pay rates at the fiscal year-end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not be used or paid out.

Compensated absences as of June 30 are classified in the accompanying financial statements as follows:

	<u>2025</u>
Current	278,468
Non-current	<u>30,941</u>
Total	<u>309,409</u>

The net change in the compensated absences liability for the fiscal year ended June 30, 2025 was \$19,102, reflecting a net increase due to changes in employee leave balances, pay rates, and usage patterns. The liability is reported in government-wide financial statements and business type fund financial statements:

**(9) Long-term Debt**

Changes in long-term debt for 2025, were as follows:

	<b>Balance 2024</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Balance 2025</b>
Lease Obligation				
Palm Desert Community Center	\$ -	6,898,086	-	6,898,086
Note Payable				
Grant Anticipation Note	-	5,000,000	-	5,000,000
Finance Lease				
CSDA Finance Corporation	1,194,671	-	(201,349)	993,322
Total	1,194,671	<u>11,898,086</u>	<u>(201,349)</u>	12,891,408
Less current portion	<u>(201,349)</u>			<u>(438,149)</u>
Total non-current	\$ <u>993,322</u>			<u>12,453,259</u>

***Lease Obligation – Palm Desert Community Center***

On January 1, 2020, the District entered into a lease agreement with the City of Palm Desert. The District is party to the lease agreements for facilities and related improvements, accounted for in accordance with GASB Statement No. 87, “Leases”. On June 10, 2025, upon completion of the Palm Desert Community Center’s (Center) tenant improvement, the District entered into a final project close out and acceptance acknowledgement with the City of Palm Desert (City) where the District approves and acknowledges to pay all contracted tenant improvements made by the City in the amount of \$6,898,086, specifically for the District’s programs. The agreement includes tenant improvement allowance advanced by the City but is repayable by the District through scheduled repayments in an amortization schedule. Terms of the agreement calls for semi-annual payment of principal and interest on July 1 and January 1 of each year, and annual payments of principal commencing July 1, 2025 and each six months, thereafter. Annual interest rate is 3% for a period of 30 years.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(9) Long-term Debt, continued**

***Lease Obligation – Palm Desert Community Center, continued***

Future debt service payments are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 229,936	205,342	435,278
2027	229,936	198,924	428,860
2028	229,936	192,473	422,409
2029	229,936	185,991	415,927
2030	229,936	179,475	409,411
2031-2035	1,149,681	798,503	1,948,184
2036-2040	1,149,681	630,661	1,780,342
2041-2045	1,149,681	458,576	1,608,257
2046-2050	1,149,681	282,141	1,431,822
2051-2055	<u>1,149,682</u>	<u>101,244</u>	<u>1,250,926</u>
<b>Total</b>	6,898,086	<u>3,233,330</u>	<u>10,131,416</u>
<b>Current</b>	<u>(229,936)</u>		
<b>Non-current</b>	<u>\$ 6,668,150</u>	-	

***Note Payable – Grant Anticipation Note***

On March 13, 2025, the District entered into a note purchase agreement with EverBank, N.A. totaling \$5,000,000 at an interest rate of 4.71% for the purpose of funding the Thermal Park Design and Construction Project designed in collaboration with local residents as the first community park in Thermal. The Project is set to be completed in July 2026. Terms of the agreement calls for semi-annual payment of interest on September 25 and March 25 of each year, and full payment of principal due on March 25, 2027.

Full debt service payments are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ -	235,500	235,500
2027	<u>5,000,000</u>	<u>235,500</u>	<u>5,235,500</u>
<b>Total</b>	5,000,000	<u>471,000</u>	<u>5,471,000</u>
<b>Current</b>	<u>-</u>		
<b>Non-current</b>	<u>\$ 5,000,000</u>		

***Finance Agreement – CSDA Finance Corporation***

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 1<sup>st</sup> and September 1<sup>st</sup> of each year, commencing March 1, 2019. The portion of the lease used to prepay the District's 2013 Lease Agreement matures in September 2022 (which was paid as June 30, 2023), and the remainder matures in September 2029.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(9) Long-term Debt, continued**

Future debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 208,213	31,849	240,062
2027	215,310	24,753	240,063
2028	222,650	17,414	240,064
2029	230,239	9,825	240,064
2030	<u>116,909</u>	<u>1,978</u>	<u>118,887</u>
Total	993,321	<u>85,819</u>	<u>1,079,140</u>
Current	<u>(208,213)</u>		
Non-current	\$ <u>785,108</u>		

**(10) 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, 2025, the following employees were covered by the benefit terms:

	<u>2025</u>
Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>17</u>
Total plan membership	<u>21</u>

***Contributions***

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

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(10) 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, 2025, the District recognized an OPEB expense of \$51,747. At June 30, 2025, the District reported deferred outflows (inflows) of resources related to OPEB from the follow source:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,743	(116,155)
Change of assumptions	32,925	(34,651)
Net difference between projected and actual earnings on OPEB investments	<u>55,262</u>	<u>(32,410)</u>
Total	<u>\$ 144,930</u>	<u>(183,216)</u>

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

<u>Year Ended June 30,</u>	<u>Net Deferred Outflow/ (Inflow)</u>
2026	\$ (21,316)
2027	(8,818)
2028	(19,825)
2029	(894)
2030	9,667
Thereafter	2,900

***Changes in the Net OPEB Liability***

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

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2023	\$ 1,630,403	725,132	905,271
Changes for the year:			
Service cost	42,819	-	42,819
Interest	87,421	-	87,421
Net investment income (loss)	-	62,424	(62,424)
Benefit payments	(16,323)	(16,323)	-
Administrative expense	<u>-</u>	<u>(4,316)</u>	<u>4,316</u>
Net change	<u>113,917</u>	<u>41,785</u>	<u>72,132</u>
Balance at June 30, 2024	<u>\$ 1,744,320</u>	<u>766,917</u>	<u>977,403</u>

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(10) Other Post-Employment Benefits Payable, continued**

*Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

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

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

***Discount Rate***

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

Reporting date	June 30, 2025
Measurement date	June 30, 2024
Long-term expected return of Plan investments	5.25%
Fidelity GO AA 20 Years Municipal Index	3.97%
Discount rate	5.25%

***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:

	<b>1% Decrease (4.25%)</b>	<b>Discount Rate (5.25%)</b>	<b>1% Increase (6.25%)</b>
Net OPEB liability	\$ 1,232,139	977,403	766,024

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(10) Other Post-Employment Benefits Payable, continued**

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

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

	<b>1% Decrease (4.50%)</b>	<b>Healthcare Cost Trend Rates (5.50%)</b>	<b>1% Increase (6.50%)</b>
Net OPEB liability	\$ 829,023	977,403	1,086,193

**(11) Net Position**

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

	<u>2025</u>
<b>Net investments in capital assets:</b>	
Capital assets – not being depreciated	\$ 8,491,047
Capital assets – being depreciated, net	23,389,995
Lease obligation, current	(229,936)
Lease obligation, non-current	(6,668,150)
Note payable, non-current	(5,000,000)
Finance lease payable, current	(208,213)
Finance lease payable, non-current	<u>(785,108)</u>
<b>Total net investment in capital assets</b>	<u>18,989,635</u>
<b>Unrestricted net position</b>	
Non-spendable net position	
Prepaid expenses	264,344
Net OPEB obligations	977,403
Reserves for operations (general fund)	4,094,925
Reserves for capital assets and infrastructure replacement	<u>4,713,981</u>
<b>Total non-spendable net position</b>	<u>10,050,653</u>
Spendable net position	
Unrestricted	<u>5,667,490</u>
<b>Total spendable net position</b>	<u>5,667,490</u>
<b>Total unrestricted net position</b>	<u>15,718,143</u>
<b>Total net position</b>	<u>\$ 34,707,778</u>

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(12) Fund Balance**

A detailed schedule of fund balance and their funding composition at June 30, 2025, is as follows:

Description	General Fund
<b>Nonspendable:</b>	
Prepaid expenses	\$ 264,344
<b>Committed:</b>	
Net OPEB obligations	977,403
<b>Assigned:</b>	
Compensated absences	309,409
Reserves for operations (general fund)	4,094,925
Reserves for capital assets and infrastructure replacement	4,713,981
<b>Total assigned</b>	<b>9,118,315</b>
<b>Unassigned:</b>	
Operations	6,694,372
<b>Total fund balance</b>	<b>\$ 17,054,434</b>

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:

- Reserves for Operations (General Fund) – The District shall maintain a minimum Reserve for Operations equal to a minimum of 40% and a maximum of 50% of discretionary General Fund revenues. These funds are set-aside because the District receives the majority of its revenues from property taxes and assessment district fees collected by the County of Riverside. These funds are not received by the District until January, resulting in a six-month delay in receiving revenue from the beginning of the fiscal year. Therefore, it is imperative that the District has an operating fund to fulfill its general operating costs. Due to the delay in receiving funding, not having reserves would inhibit the District's ability in providing services for the benefit of residents within the District. The recommended maximum level for Reserve for Operations is equal to 50% or six (6) months operating revenue.
- Reserves for Capital Assets and Infrastructure Replacement – The District will maintain a reserve for Capital Assets and Infrastructure Replacement. The long-term goal of the District is to build and maintain this reserve at an amount equal to 100% of accumulated depreciation.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(13) Prior Period Adjustment**

*Intergovernmental revenues*

In fiscal year 2025, the District determined that intergovernmental revenues associated with the Palm Desert Community Center renovation pursuant to *GASB Statement No. 87, Leases*, is required to be recognized as part of the District’s lease obligation with the City of Palm Desert. As a result, the District recorded a prior period adjustment of \$3,241,357 to restate beginning balances as of July 1, 2024.

The adjustment to net position is as follows:

Net position at June 30, 2023, as previously stated	\$	29,066,418
Changes in net position, June 30, 2024, as previously stated	\$	4,931,064
Effect of adjustment to implement GASB 87		<u>(3,241,357)</u>
Changes in net position, June 30, 2024, as restated		<u>1,689,707</u>
Net position at July 1, 2024, as restated	\$	<u><u>30,756,125</u></u>

**(14) 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, 2025, 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).

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(15) 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. 103***

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

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

***Governmental Accounting Standards Board Statement No. 104***

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

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

***Governmental Accounting Standards Board Statement No. 105***

In December 2025, the GASB issued Statement No. 105 – *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

**Desert Recreation District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2025**

**(16) 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.

**(17) Subsequent Events**

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of March 25, 2026, 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.

## **Required Supplementary Information**



**Desert Recreation District**  
**Budgetary Comparison Schedule – General Fund & Special Assessment Fund**  
**For the Fiscal Year Ended June 30, 2025**

**Budgets and Budgetary Data**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Property taxes and special assessments					
Property taxes	\$ 3,748,540	137,479	3,886,019	4,023,478	137,459
Redevelopment agency taxes	5,276,789	398,151	5,674,940	5,675,648	708
Special assessments	3,211,174	7,675	3,218,849	3,158,784	(60,065)
Charges for services					
Registration and other fees	2,999,416	8,256	3,007,672	2,623,526	(384,146)
Intergovernmental service fees	7,503,064	405,019	7,908,083	4,403,508	(3,504,575)
Facilities and other rental revenues	126,965	38,966	165,931	159,148	(6,783)
Other revenues	82,128	14,763	96,891	1,671,282	1,574,391
Claims reimbursement	-	3,446	3,446	3,446	-
Operating grants and contributions	1,886,190	(99,945)	1,786,245	432,540	(1,353,705)
Capital grants and contributions	10,000,000	(3,342,311)	6,657,689	4,603,171	(2,054,518)
Investment earnings	314,232	-	314,232	465,396	151,164
<b>Total revenues</b>	<u>35,148,498</u>	<u>(2,428,501)</u>	<u>32,719,997</u>	<u>27,219,927</u>	<u>(5,500,070)</u>
<b>Expenditures:</b>					
Salaries and benefits	12,102,168	(329,348)	11,772,820	11,940,889	(168,069)
Facilities and maintenance	6,430,065	102,184	6,532,249	6,642,950	(110,701)
Materials and services	3,658,179	(224,699)	3,433,480	3,073,397	360,083
Capital outlay	15,165,316	(3,531,910)	11,633,406	14,109,069	(2,475,663)
Debt service:					
Principal	201,349	-	201,349	201,349	-
Interest	38,712	-	38,712	26,358	12,354
<b>Total expenditures</b>	<u>37,595,789</u>	<u>(3,983,773)</u>	<u>33,612,016</u>	<u>35,994,012</u>	<u>(2,381,996)</u>
<b>Net change in fund balance</b>	<u>(2,447,291)</u>	<u>1,555,272</u>	<u>(892,019)</u>	<u>(8,774,085)</u>	<u>(7,882,066)</u>
<b>Fund balance, beginning of year</b>	<u>13,930,433</u>			<u>13,930,433</u>	
<b>Fund balance, end of year</b>	<u>\$ 11,483,142</u>			<u>5,156,348</u>	

**Notes to Required Supplementary Information**

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

**Desert Recreation District**  
**Schedules of Change in District's Total OPEB Liability and Related Ratios**  
**For the Fiscal Year Ended June 30, 2025**  
**Last Ten Years\***

**Other Post-Employment Benefits Payable**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability								
Service cost	\$ 42,819	44,343	43,007	41,288	45,596	47,740	59,120	57,398
Interest	87,421	74,721	69,787	72,515	67,549	73,496	65,463	60,104
Difference between expected and actual experience	-	78,155	-	(175,018)	-	(125,099)	-	-
Change in assumptions	-	(7,586)	-	71,657	-	(101,995)	-	-
Changes in benefit terms	-	-	-	(56,542)	-	-	-	-
Benefit payments	<u>(16,323)</u>	<u>(18,382)</u>	<u>(12,586)</u>	<u>(7,853)</u>	<u>(11,118)</u>	<u>(10,767)</u>	<u>(12,558)</u>	<u>(8,106)</u>
Net change in total OPEB liability	113,917	171,251	100,208	(53,953)	102,027	(116,625)	112,025	109,396
Total OPEB liability – beginning	<u>1,630,403</u>	<u>1,459,152</u>	<u>1,358,944</u>	<u>1,412,897</u>	<u>1,310,870</u>	<u>1,427,495</u>	<u>1,315,470</u>	<u>1,206,074</u>
Total OPEB liability – ending	\$ <u>1,744,320</u>	<u>1,630,403</u>	<u>1,459,152</u>	<u>1,358,944</u>	<u>1,412,897</u>	<u>1,310,870</u>	<u>1,427,495</u>	<u>1,315,470</u>
Plan fiduciary net position								
Contributions – employer	\$ -	-	-	742	1,075	2,210	-	-
Net investment income	62,424	33,801	(95,257)	103,654	33,904	48,148	25,775	42,465
Benefit payments	(16,323)	(18,382)	(12,586)	(7,853)	(11,118)	(10,767)	(12,558)	(8,106)
Administrative expense	<u>(4,316)</u>	<u>(4,162)</u>	<u>(4,810)</u>	<u>(4,601)</u>	<u>(4,235)</u>	<u>(3,817)</u>	<u>(3,901)</u>	<u>(5,374)</u>
Net change in plan fiduciary net position	41,785	11,257	(112,653)	91,942	19,626	35,774	9,316	28,985
Total fiduciary net position – beginning	<u>725,132</u>	<u>713,875</u>	<u>826,528</u>	<u>734,586</u>	<u>714,960</u>	<u>679,186</u>	<u>669,870</u>	<u>640,885</u>
Total fiduciary net position – ending	\$ <u>766,917</u>	<u>725,132</u>	<u>713,875</u>	<u>826,528</u>	<u>734,586</u>	<u>714,960</u>	<u>679,186</u>	<u>669,870</u>
District's net OPEB liability – ending	\$ <u>977,403</u>	<u>905,271</u>	<u>745,277</u>	<u>532,416</u>	<u>678,311</u>	<u>595,910</u>	<u>748,309</u>	<u>645,600</u>
Covered-employee payroll	1,248,765	1,253,000	1,253,000	1,261,138	1,222,417	1,215,438	845,273	1,187,724
District's net OPEB liability as a percentage of covered-employee payroll	78.27%	72.25%	59.48%	42.22%	55.49%	49.03%	88.53%	54.36%

**Desert Recreation District**  
**Schedules of Change in District's Total OPEB Liability and Related Ratios, continued**  
**For the Fiscal Year Ended June 30, 2025**  
**Last Ten Years\***

**Note to Schedule**

***Change in Benefit Terms:***

There were no changes to benefit terms for the measurement period ended June 30, 2025 and 2024.

***Change of Assumptions:***

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

The Municipal Bond 20-Year High Grade Rate Index increased from 3.86% in fiscal year ended June 30, 2024 to 3.97% in fiscal year ended June 30, 2025.

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

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

**< Page Intentionally Left Blank >**

## **Supplementary Information**



**Desert Recreation District**  
**Combining Balance Sheet - Special Assessment Fund**  
**June 30, 2025**

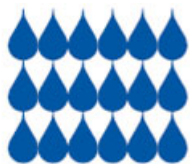
	<u>Assessment Districts</u>					<u>2025</u>
	<u>97-1</u>	<u>02-1</u>	<u>03-1</u>	<u>93-1</u>	<u>01-1</u>	
<b>Assets:</b>						
Property taxes and assessments receivable	\$ 23,697	1,379	718	24,590	51,596	101,980
Due from other funds	(13,073)	155	(718)	7,106	68,660	62,130
Prepaid expense	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 10,624</b>	<b>1,534</b>	<b>-</b>	<b>31,696</b>	<b>120,256</b>	<b>164,110</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 10,624	1,534	-	31,696	120,256	164,110
<b>Total liabilities</b>	<b>10,624</b>	<b>1,534</b>	<b>-</b>	<b>31,696</b>	<b>120,256</b>	<b>164,110</b>
<b>Fund balance:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 10,624</b>	<b>1,534</b>	<b>-</b>	<b>31,696</b>	<b>120,256</b>	<b>164,110</b>

**Desert Recreation District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Special Assessment Fund**  
**For the Fiscal Year Ended June 30, 2025**

	<u>Assessment Districts</u>					<u>2025</u>
	<u>97-1</u>	<u>02-1</u>	<u>03-1</u>	<u>93-1</u>	<u>01-1</u>	
<b>Revenues:</b>						
Property taxes and special assessments:						
Special assessments	\$ 503,973	137,458	130,859	855,072	1,531,422	3,158,784
Capital grants and contributions	-	-	-	-	10,923	10,923
<b>Total revenues</b>	<u>503,973</u>	<u>137,458</u>	<u>130,859</u>	<u>855,072</u>	<u>1,542,345</u>	<u>3,169,707</u>
<b>Expenditures:</b>						
Salaries and benefits	175,541	-	-	1,579,824	1,015,526	2,770,891
Facilities and maintenance	293,763	146,309	39,364	1,679,291	295,328	2,454,055
Materials and services	61,823	12,666	9,569	192,050	347,401	623,509
Capital outlay	76,054	-	-	-	1,409,430	1,485,484
<b>Total expenditures</b>	<u>607,181</u>	<u>158,975</u>	<u>48,933</u>	<u>3,451,165</u>	<u>3,067,685</u>	<u>7,333,939</u>
Excess(Deficiency) of revenues over expenditures	(103,208)	(21,517)	81,926	(2,596,093)	(1,525,340)	(4,164,232)
<b>Other financing sources(uses):</b>						
Operating transfers in(out)	<u>103,208</u>	<u>21,517</u>	<u>(81,926)</u>	<u>2,596,093</u>	<u>1,525,340</u>	<u>4,164,232</u>
<b>Net change in fund balance</b>	-	-	-	-	-	-
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# **Report on Internal Controls and Compliance**





# C.J. Brown & Company CPAs

## An Accountancy Corporation

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer  
Michael Howell, CPA

### **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, 2025, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated March 25, 2026.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

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

**Purpose of this Report**

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

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
March 25, 2026