

City of Desert Hot Springs

Desert Hot Springs, California

Independent Auditors' Reports and Basic Financial Statements

For the Year Ended June 30, 2023



City of Desert Hot Springs
Basic Financial Statements
For the Year Ended June 30, 2023

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**INDEPENDENT AUDITORS' REPORT**www.pungroup.cpa

To the Honorable Mayor and Members of the City Council
of the City of Desert Hot Springs
Desert Hot Springs, California

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant 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 opinions.

Responsibility 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 City'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.

Auditors' Responsibility 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 auditors' 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 GAAS and *Government 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. 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 GAAS and *Government 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 City'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 City'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, the Budgetary Comparison Schedules, the Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios, and the Schedule of the City's Contributions – Pensions 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 Government 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements 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 GAAS. In our opinion, the Combining and Individual 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 our report dated May 23, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The Pw Group, LLP

Santa Ana, California
May 23, 2024

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Management's Discussion and Analysis (Unaudited)

The City of Desert Hot Springs is offering a narrative, overview and analysis of the financial activities for the fiscal year end June 30, 2023.

Overview of the Financial Statements

The City Executive Team of the City of Desert Hot Springs (City) offers readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2023. It has been designed in accordance with standards established by the Governmental Accounting Standards Board. Please read this overview in conjunction with the accompanying financial statements.

1. The Government-wide Financial Statements provide information about the overall financial condition of the City. The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position* statements include *all* assets, deferred outflow and liabilities, deferred inflows of the City using the *accrual basis of accounting*, which is like the accounting used by most private sector companies.
2. The Fund Financial Statements provide additional information about the City's major funds, how services were financed in the short term and fund balances available for financing future projects.
3. The Notes to the Financial Statements provide additional detail that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information, including budgetary comparison information on the City's General fund, which is intended to furnish additional detail to support the basic financial statements themselves.

Fiscal Year 2022-2023 Highlights

- The City's total net position was \$60,111,215 as of June 30, 2023;
- Consolidated General Fund (including Public Safety Fund) Revenue totaled \$29,857,607;
- Consolidated General Fund Expenses totaled \$32,635,976;
- The fund balance in the Consolidated General Fund decreased by \$4,655,537 for a total of \$9,044,185;
- The decrease in the fund balance of the Consolidated General Fund was due to a reduction in the Cannabis Cultivation Tax that occurred in the spring of 2023 as well as several one-time expenditures that included \$1.8 million for abatement and demolition services of several large abandoned hotel sites that had become dangerous as well as capital asset expenditures which included the purchase of the old county library building.
- The City has an Emergency Reserve in place for economic contingency that is set at 57% of the Consolidated General Fund annual appropriations which is funded by cannabis tax revenues and 20% reserve in place for the General Fund of which 25% is for natural or fiscal emergencies and 8% is for future operations and capital use for a total of \$9,044,185 in reserves;
- The City's Tax revenue received in 2022-2023 (not including cannabis related taxes) was up 9% over the prior fiscal year due to significant increases in Transient Occupancy Tax and Property Tax;
- Marijuana related taxes decreased by \$866,727 from FY 2021-2022 to FY 2022-2023 which is a decrease of 16% over the prior year;
- The City has completed the improvement projects for the Carl May Center and tenant improvements to the Police Department building using the proceeds from the Series 2021 Bonds;
- The City has upgraded the fitness equipment in the gym at the Health & Wellness Center;
- The City's Recreation Department has expanded its recreation programs to meet the evolving needs and interests of the community;
- The City has implemented new technology for its recreation programs to streamline the registration process, communication, and program management;
- The Code Compliance Department amended the Short-term Vacation Rental Ordinances to better serve the needs of the community.

- Launched a residential and commercial beautification program to provide improvement grants to business owners and owner-occupied property owners;
- Approved an ordinance to help combat human trafficking by requiring massage establishment permits and strengthened regulations.
- The Police Department engaged Epic Recruiting to provide an intense recruiting campaign to fill vacant police officer positions with good quality candidates.
- The City's new dispatch center officially opened in February 2023 and is the first in the State to operate with the NextGen 911 Cloud Based Dispatching System.
- The City's Animal Control Facility was able to increase the number of kennels from 16 to 23.
- The City completed the 8th Street Sidewalk Project which consisted of installation of sidewalks and ADA ramps on the north side of 8th Street connecting Palm Drive to Wardman Park.

Government-wide Financial Statements and Financial Analysis

The Government-wide Financial Statements provide a broad overview of the City's activities and are comprised of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents information about the financial position of the City on the accrual basis, like that used in the private sector. It shows the City's assets, deferred outflow of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the City's net position are among indicators used to assess whether the financial condition of the City is improving or deteriorating. It is also important to consider other non-financial factors, such as changes in the City's property tax values and sales tax outlets and the condition of the City's infrastructure (i.e. parks and streets) to accurately assess the overall health of the City.

The *Statement of Activities* presents information about the City's revenues and all its expenses, also on the accrual basis, and explains in detail the change in net position for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works, Economic Development and Culture and Leisure.

The government-wide financial statements can be found on pages 19-20 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

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

The City maintains four (4) major individual governmental funds; the General Fund (which is consolidated with the Health and Wellness Facility and the Marijuana Reserve Fund), Public Safety Special Revenue Fund, American Recovery Act Special Revenue Fund, Housing Authority Special Revenue Fund, Capital Improvement Capital Projects Fund, and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other 16 non-major governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

For fiscal years 2018-2019 and 2019-2020, the City adopted a two-year budget for its General Fund and other funds. Due to the uncertainty surrounding COVID-19, the City adopted a one-year budget for fiscal year 2020-2021. Starting with fiscal year 2021-2022, the City has reinstated the two year budget for the 2021-2022 and 2022-2023 fiscal years.

The following funds are included to make up the non-major governmental funds:

Special Revenue Funds: Special Gas Tax Fund, SB1 Road Maintenance and Rehab, Municipal Lighting and Landscaping Assessment Districts Funds, Measure A Fund, Air Quality Control Fund (AQMD), Art in Public Places Fund, Quimby Act Fund, Drainage Assessment Districts Funds, County Service Area 152 (CSA-152) Fund, Cabot's Museum Fund, Supplement Law Enforcement Services Account Fund (SLESA), Abandoned Vehicle Abatement Fund, Community Development Block Grant Fund (CDBG), Capital Improvements Deposits Fund, and the Department of Cannabis Control Fund.

Capital Projects Funds: Assessment District 91-1 Fund

The basic governmental fund financial statements can be found on pages 24-30 of this report.

Proprietary Funds

Proprietary funds can be broken down into two different types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the Health & Wellness Center Foundation acquisition of real property and completion of the buildings and improvements at the Health and Wellness facility center. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the City's risk management and equipment replacement activities associated with City vehicles. Because the vehicle services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Internal service funds are used to allocate costs among the City's various functions. The City has (3) internal service funds: equipment replacement, workers compensation insurance and general liability insurance.

The basic proprietary fund financial statements can be found on pages 33-35 of this report and the internal service funds can be found on pages 127-129 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Currently the City has two separate Fiduciary Funds reporting financial inflows and outflows for the Successor Agency, which is a private purpose trust fund, and one Agency Fund. The Agency Fund includes various funding (Community Services Agency Funds and the Community Facilities District Skyborne Agency Funds) which is controlled primarily through legal agreements and applicable State and Federal laws.

The basic fiduciary fund financial statements can be found on pages 39-40 of this report.

Notes to the 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 45-80 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the general fund. Required supplementary information can be found on pages 83-96 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 99-108 of this report.

Government-wide Financial Analysis

Over the past year the City experienced a significant increase in tourists visiting the City which resulted in the Transient Occupancy Tax revenue reaching over the \$4 million mark for the first time ever. However, the cannabis industry still continues to struggle which has resulted in reduced cannabis taxes for FY2022-2023. In 2023, the City Council temporarily reduced the cannabis cultivation tax in half to provide temporary relief for cultivation facilities. City staff is performing a review of the City's cannabis regulations and cannabis industry and will provide recommendations for permanent changes to the City Council.

Other major revenue changes occurred during fiscal year 2022-2023 in the following areas;

- Property Taxes increased from \$1,898,981 in FY 2021-2022 to \$2,270,974 in FY 2022-2023 approximately a 20% increase in tax revenue over the prior year. The increase was due to higher assessed property values from the development of vacant land in the City for houses, cannabis facilities, and other economic development.
- Transient Occupancy Taxes increased from \$3,779,227 in FY 2021-2022 to \$4,253,943 in FY 2022-2023 approximately a 13% increase from the prior year. This increase is due increased tourism to the City as well as the opening of the new Azure Palm Hot Springs Resort.
- Cannabis taxes decreased from \$5,309,489 in FY 2021-2022 to \$4,442,762 in FY 2022-2023, approximately a 16% decrease over the prior year. The decrease is due reduced sales for the struggling industry as well as the temporarily reduced cultivation tax rate.
- Franchise Fees increased from \$2,184,708 in FY 2021-2022 to \$2,350,450 in FY 2022-2023 approximately an 8% increase over the prior year.
- Utility User Taxes increased from \$3,867,467 in FY 2021-2022 to \$4,630,368 in FY 2022-2023 approximately a 20% increase from the prior year.

The County has adopted the Alternative Method of Distribution of the Tax Levies and Collections and of the Tax Sale Proceeds (the "Teeter Plan"), as approved for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the City, received the amount of uncollected taxes credited to its fund, in the same manner as of the account due from the taxpayers have been collected.

In January 2022, the City issued \$15 million in Lease Revenue Bonds for City facility improvements and to explore the purchase of the vacant Animal Hospital on Palm Drive from the Coachella Valley Humane Society. During FY2022-2023, the City has completed improvements to the Carl May Center and the Police Department building, however, with the significant increase in inflation, construction costs have increased to the level where the \$15 million in bond proceeds will not be sufficient to cover the costs of the remaining projects. City staff is in the process of re-examining the remaining projects construction plans in order to scale back those projects and still meet the community's needs. The City is in negotiation with the Coachella Valley Humane Society for the Society to donate the Animal Hospital on Palm Drive and an animal sanctuary on Indian Canyon in unincorporated Riverside County to the City.

The animal sanctuary will help the City expand its Animal Control Center operations. City staff is also seeking a veterinary organization to lease the vacant Animal Hospital in order to provide much needed veterinary services to the residents of Desert Hot Springs. Development within the City continues to grow as Lennar Homes has taken over the development agreement for the Skyborne residential development on the west side of the City and Amazon has purchased land off Indian Canyon near the I-10 Freeway to construct a several thousand square foot distribution warehouse.

The City continues to monitor the unfunded liability for CALPERS and pays all current contributions and unfunded liability contributions timely.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$60,111,215 as of June 30, 2023, in the Governmental activities and Business-type activities.

The largest portion of the City's net position, \$45,460,615, is its investment in capital assets (e.g., land, street infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining net position, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Desert Hot Springs
Net Position
June 30, 2023

	Governmental activities		Business-Type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 55,447,599	\$ 55,245,705	\$ -	\$ -	\$ 55,447,599	\$ 55,245,705
Capital assets	71,777,018	68,142,652	-	-	71,777,018	68,142,652
Total assets	\$ 127,224,617	\$ 123,388,357	\$ -	\$ -	\$ 127,224,617	\$ 123,388,357
Deferred outflow of resources	\$ 6,507,580	\$ 4,208,413	\$ -	\$ -	\$ 6,507,580	\$ 4,208,413
Total deferred outflow of resources	\$ 6,507,580	\$ 4,208,413	\$ -	\$ -	\$ 6,507,580	\$ 4,208,413
Current liabilities	\$ 13,744,491	\$ 10,724,266	\$ -	\$ -	\$ 13,744,491	\$ 10,724,266
Long-term liabilities	56,427,469	49,898,296	-	-	56,427,469	49,898,296
Total liabilities	\$ 70,171,960	\$ 60,622,562	\$ -	\$ -	\$ 70,171,960	\$ 60,622,562
Deferred inflow of resources	\$ 3,449,022	\$ 5,851,790	\$ -	\$ -	\$ 3,449,022	\$ 5,851,790
Total deferred inflow of resources	\$ 3,449,022	\$ 5,851,790	\$ -	\$ -	\$ 3,449,022	\$ 5,851,790
Net position						
Invested in capital assets	\$ 45,460,615	\$ 41,885,440	\$ -	\$ -	\$ 45,460,615	\$ 41,885,440
Restricted	21,911,482	33,322,986	-	-	21,911,482	33,322,986
Unrestricted	(7,260,882)	(14,086,008)	-	-	(7,260,882)	(14,086,008)
Total net position	\$ 60,111,215	\$ 61,122,418	\$ -	\$ -	\$ 60,111,215	\$ 61,122,418

An additional portion of the City's net position, \$21,911,482, represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of the net position is negative \$7,260,882.

Table 2
City of Desert Hot Springs
Changes in Net Position
June 30, 2023

	Governmental activities		Business-Type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 6,141,761	\$ 5,945,888	\$ -	\$ -	\$ 6,141,761	\$ 5,945,888
Operating grants and contributions	10,482,045	8,023,631	-	-	10,482,045	8,023,631
Capital grants and contributions	8,313,701	5,420,583	-	-	8,313,701	5,420,583
General revenues						
Property taxes	2,270,974	1,898,981	-	-	2,270,974	1,898,981
Sales taxes	5,422,375	5,262,718	-	-	5,422,375	5,262,718
Transient occupancy taxes	4,253,943	3,779,227	-	-	4,253,943	3,779,227
Other taxes	6,826,596	7,528,954	-	-	6,826,596	7,528,954
Investment income	618,222	(220,735)	-	-	618,222	(220,735)
Miscellaneous	567,334	728,394	-	-	567,334	728,394
Gain on sale of property	-	15,285	-	-	-	15,285
Total revenues	\$ 44,896,951	\$ 38,382,926	\$ -	\$ -	\$ 44,896,951	\$ 38,382,926
Program expenses						
General government	\$ 13,061,873	\$ 8,549,464	\$ -	\$ -	\$ 13,061,873	\$ 8,549,464
Public safety	18,736,283	15,570,620	-	-	18,736,283	15,570,620
Public works	6,567,896	4,214,584	-	-	6,567,896	4,214,584
Economic development	3,359,964	2,683,300	-	-	3,359,964	2,683,300
Culture and leisure	2,764,883	2,104,395	-	-	2,764,883	2,104,395
Interest and fiscal charges	1,417,255	1,469,995	-	-	1,417,255	1,469,995
Total expenses	\$ 45,908,154	\$ 34,592,358	\$ -	\$ -	\$ 45,908,154	\$ 34,592,358
Change in net position	(1,011,203)	3,790,568	-	-	(1,011,203)	3,790,568
Net position – beginning of year	61,122,418	57,331,850	-	-	61,122,418	57,331,850
Net position – end of year	\$ 60,111,215	\$ 61,122,418	\$ -	\$ -	\$ 60,111,215	\$ 61,122,418

The City's governmental activities total revenues were over \$44.9 million, while the total cost of all programs and services were approximately \$45.9 million. Operating grants and contributions were the largest revenue source at \$10,482,045 (23% of the total revenue of the governmental activities). Capital grants and contributions were the second largest resource at \$8,313,701 (19% of the total revenue of the governmental activities). Other taxes were the third largest revenue source at \$6,826,596 (15% of the total revenue of the governmental activities).

Governmental Activities

Public Safety expenses of \$18,736,283 comprise the largest component of government activities (41% of the total cost of governmental activities).

General Government expenses of \$13,061,873 (includes City Council, City Manager, City Attorney, City Clerk, Finance, Information Systems and Non-Departmental) were the second largest governmental activities (28% of the total cost of governmental activities).

Public Works expenses of \$6,567,896 were the third largest governmental activities (14% of the total cost of governmental activities).

Economic Development expenses of \$3,359,964 were the fourth largest governmental activities (7% of the total cost of governmental activities).

Business-Type activities

With the unwinding the New Market Tax Credit financing and the dissolution of the Health & Wellness Foundation in FY2019-2020, the City does not have any Business-Type activities.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The General Fund is the City's chief operating fund. At the end of 2022-2023, the total fund balance was \$9,044,185.

The General Fund balance decreased by \$4,655,537 in 2022-2023. Key Factors were:

- The City's Cannabis Tax decreased by over \$866,000 from the previous year.
- General Government expenses increased by \$1.35 million due to emergency abatement and demolition expenses of abandoned properties.
- The General Fund transferred an additional \$2.7 million to the Public Safety Fund and the City-wide Lighting & Landscaping Maintenance District Fund for additional expenses.
- While FY2022-2023 contained several large one-time expenses for the General Fund, the cannabis industry continues to struggle which results in a lower collection rate of the cannabis taxes. The City is working on adjusting its cannabis ordinances to help ease the burden of the struggling cannabis facilities. This will most likely result in a lower tax rate so the City is re-evaluating its operations so that its expenditures are more sustainable in the long-run and will not rely on fund balance.

Public Safety Fund

The Public Safety Fund accounts for the community safety activities of the City including Police, Code Compliance, Dispatch, Fire and Animal Control. The major outside revenue sources for this fund are parcel taxes and utility user taxes. These taxes were enacted specifically for the support of public safety within the City. The single largest revenue source is an interfund transfer from the General Fund. The transfer from the General Fund is to support the operating expenses that exceed the revenues earned in taxes, fines, fees, and other revenue items. Since this fund has a majority of its support from the General Fund, fund balance is kept at a minimum. Expenditures increased for the 2022-2023 fiscal year by over \$1,860,380. The increase was due to increased operating costs which included the opening of the new dispatch center. The additional expenses were covered by an increase in a transfer from the General Fund.

American Recovery Act Fund

This fund was established to account for the State and Local Agency Coronavirus Relief Funds provided to the City from the American Recovery Act. The City utilized \$615,919 of this funding for FY2022-2023 for the acquisition of land.

Housing Authority Fund

This fund is to account for the assets of the former Redevelopment Agency Low to Moderate Income Housing Fund that was transferred to City. The assets consist of over \$2.5 million in cash, \$3.3 million in loans for housing developments and single-family houses throughout the City, and vacant residential property to be used to develop low-income housing. During FY2022-2023, the Housing Authority Fund received over \$1 million in repayment of the SERAF loan from the Successor Agency to the former Redevelopment Agency. As of June 30, 2023, the fund balance is \$5,910,455.

Capital Improvement Capital Projects Fund

This fund contains the expenses for all capital improvement projects that are not supported by restricted funds and has the expenses for the facilities improvements funded by the Series 2021 Bond proceeds. During FY2022-2023, the City spent \$6,104,262 on capital projects. The fund ended the fiscal year with a negative balance which will be offset in the FY2023-2024 by reimbursements from the State of California Department of Transportation.

Debt Service Fund

This fund is to account for the debt service payments on the City's Lease Revenue Bonds and Certificates of Participation. The debt service obligations are paid twice annually. The debt service obligations are funded by a utility user tax and transfers from other funds. For this fiscal year, \$965,000 was paid for the required principal payment and \$1,424,243 was paid out in interest expense. This fund also includes the proceeds and related expenses for the Series 2021 Bonds that were issued in January 2022 for \$15,000,000 for the construction of a new fire station, police annex building, and improvements to the existing fire station and police department building. The fund balance at June 30, 2023 was \$18,839,919.

Capital Assets

At the end of FY 2022-2023, the City had invested over \$71 million in a broad range of capital assets, net of depreciation. The investment in capital assets includes land, right of way, buildings and improvements, machinery and equipment, streets and bridges and construction in progress. During FY2022-2023, the City implemented GASB 87 Accounting for Leases and GASB 96 Subscription-Based Information Technology Arrangements.

Table 3
City of Desert Hot Springs
Capital Assets
As of June 30, 2023

	Governmental activities		Business-Type activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,958,094	\$ 2,958,094	\$ -	\$ -	\$ 2,958,094	\$ 2,958,094
Construction in progress	13,393,933	7,695,430	-	-	13,393,933	7,695,430
Depreciable assets, net of depreciation						
Building and improvements	30,782,252	30,695,492	-	-	30,782,252	30,695,492
Machinery and equipment	4,195,492	4,906,299	-	-	4,195,492	4,906,299
Vehicles	1,072,507	1,260,664	-	-	1,072,507	1,260,664
Infrastructure	18,833,724	20,245,850	-	-	18,833,724	20,245,850
Intangible assets, net of amortization						
Right of use - leased vehicles	115,334	-	-	-	115,334	-
Right of use - subscription asset	425,682	380,823	-	-	425,682	380,823
Total	\$ 71,777,018	\$ 68,142,652	\$ -	\$ -	\$ 71,777,018	\$ 68,142,652

For more information on Capital Asset Activity, please see Capital Assets page 61.

Long-Term Debt

As of June 30, 2023, the City had total long-term liabilities outstanding of \$43,532,472 in Certificates of Participation debt, Lease Revenue Bonds debt, capital leases, subscription liabilities, claims and judgments payable debt, compensated absences and Pension-related debt for the CalPERS Side Fund. For more detailed information on each long-term debt liability, please see Note (6) on pages 62-68.

Table 4
City of Desert Hot Springs
Long-Term Liabilities
As of June 30, 2023

	Governmental activities		Business-Type activities		Total	
	2023	2022	2023	2022	2023	2022
2020 Certificates of Participation	4,640,000	4,840,000	-	-	4,640,000	4,840,000
Lease Revenue Bonds Series 2017A	13,220,000	13,475,000	-	-	13,220,000	13,475,000
Taxable Lease Revenue Bonds Series 2017A-T	-	60,000	-	-	-	60,000
Lease Revenue Bonds Series 2018	6,320,000	6,450,000	-	-	6,320,000	6,450,000
Lease Revenue Bonds Series 2021A	13,935,000	14,255,000	-	-	13,935,000	14,255,000
Taxable Lease Revenue Bonds Series 2021A-T	1,135,000	1,135,000	-	-	1,135,000	1,135,000
Bond discount - 2017A-T	-	(114)	-	-	-	(114)
Bond premium - 2017A	142,717	148,922	-	-	142,717	148,922
Bond premium - 2018	247,472	257,692	-	-	247,472	257,692
Bond premium - 2021A	225,688	233,718	-	-	225,688	233,718
Capital lease payment	394,332	568,621	-	-	394,332	568,621
Lease liabilities	116,922	-	-	-	116,922	-
Subscription liabilities	238,361	194,813	-	-	238,361	194,813
Claims and judgments payable	369,882	581,380	-	-	369,882	581,380
Compensated absences	1,522,175	1,130,718	-	-	1,522,175	1,130,718
Pension-related debt	1,024,923	1,291,849	-	-	1,024,923	1,291,849
Total	\$ 43,532,472	\$ 44,622,599	\$ -	\$ -	\$ 43,532,472	\$ 44,622,599

Cannabis Dispensary and Cultivation Revenues

The City collects taxes for the dispensary and cultivation of marijuana and marijuana products. In the past seven years the City has seen a steady increase in dispensary and cultivation tax revenues for the fiscal years 2015 through 2022, however in 2023, the City experienced a decline in cannabis taxes. For FY 2022-2023, the City received \$866,727 less in cannabis dispensary and cultivation tax revenues over 2021-2022.

Table 5
City of Desert Hot springs
Marijuana Revenues
As of June 30, 2023

	Dispensary	Cultivation	Dispensary	Cultivation	Total	Total
	2023	2023	2022	2022	2023	2022
Marijuana Dispensary Revenue	\$ 1,766,819	\$ -	\$ 2,131,761	\$ -	\$ 1,766,819	\$ 2,131,761
Marijuana Cultivation Revenue	-	2,675,943	-	3,177,728	2,675,943	3,177,728
Total	\$ 1,766,819	\$ 2,675,943	\$ 2,131,761	\$ 3,177,728	\$ 4,442,762	\$ 5,309,489

Economic Factors

- Development activity had several increases due to additional commercial projects and housing developments within the City as discussed previously;
- For FY 2022-2023, Transient Occupancy Tax and Property Tax revenues continue to grow due to increased development and tourism.
- The City is still experiencing a steady growth in population and is considered the “Fastest Growing City in the Coachella Valley” with a population over 31,000 as of January 2022 and a growth rate of 7.5% since 2012;
- There has been significant growth in assessed values in the City with a 79.5% assessed value growth rate since 2013 and a 7.6% average annual growth rate.

- Home prices have grown nearly 200% since 2011, however, with the increase in interest rates, home prices have started to decline in the City. The average home sales price has decreased by 10% between 6/30/2022 and 6/30/2023.
- The average home value in the City is \$345,000 as of July 2023 and the City is one of the more affordable housing options in the Coachella Valley;
- The City has reserves of 25% of annual general fund appropriations for natural and fiscal emergencies and 8% for future operational and capital uses. Additionally, there is an emergency reserve set up for financial and economic uncertainty funded by 25% of the cannabis tax revenues to a cap of 17% of General Fund appropriations. The balance of the Emergency Reserve at June 30, 2023 was \$5,118,215.

Request for Information

This financial report is designed to provide a general overview of the City of Desert Hot Springs' finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Desert Hot Springs, Geoffrey Buchheim, Administrative Services Director, 11999 Palm Drive, Desert Hot Springs, CA 92240 or by telephone at 760-329-6411 Ext 227.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Desert Hot Springs
Statement of Net Position
June 30, 2023

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 28,585,927
Receivables, net	10,460,849
Prepaid items	51,125
Property held for resale	85,090
Total current assets	39,182,991
Noncurrent assets:	
Cash and investments with fiscal agents	16,264,608
Capital assets:	
Capital assets, not being depreciated	16,352,027
Capital assets, being depreciated, net	54,883,975
Intangible capital assets, being amortized, net	541,016
Total capital assets	71,777,018
Total noncurrent assets	88,041,626
Total assets	127,224,617
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	344,785
Pension related	6,162,795
Total deferred outflows of resources	6,507,580
LIABILITIES	
Current liabilities:	
Accounts payable and other liabilities	3,469,856
Deposits	2,294,661
Interest payable	435,028
Unearned revenues	5,312,833
Long-term debt - due within one year	2,232,113
Total current liabilities	13,744,491
Noncurrent liabilities:	
Long-term debt - due in more than one year	41,300,359
Net pension liabilities	15,127,110
Total noncurrent liabilities	56,427,469
Total liabilities	70,171,960
DEFERRED INFLOWS OF RESOURCES	
Pension related	3,449,022
Total deferred inflows of resources	3,449,022
NET POSITION	
Net investment in capital assets	45,460,615
Restricted for:	
Public safety	1,664,984
Street maintenance and capital improvement	5,779,877
Housing Authority	5,916,950
Debt service	4,885,615
Lighting/Landscaping/Drainage	1,229,622
Park development and improvement	1,676,553
Assessment District 91-1	123,880
Other	634,001
Total restricted	21,911,482
Unrestricted (deficit)	(7,260,882)
Total net position	\$ 60,111,215

See accompanying Notes to the Basic Financial Statements.

City of Desert Hot Springs
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Primary Government					Net (Expense) Revenue and Change in Net Position
	Governmental Activities					
	Program Revenues					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues		
Expenses						
General government	\$ 13,061,873	\$ 272,459	\$ -	\$ 629,696	\$ 902,155	\$(12,159,718)
Public safety	18,736,283	1,375,952	7,355,446	185,482	8,916,880	(9,819,403)
Public works	6,567,896	782,869	1,649,524	7,498,523	9,930,916	3,363,020
Economic development	3,359,964	2,480,144	1,472,541	-	3,952,685	592,721
Culture and leisure	2,764,883	1,230,337	4,534	-	1,234,871	(1,530,012)
Interest and fiscal charges	1,417,255	-	-	-	-	(1,417,255)
Total governmental activities	45,908,154	6,141,761	10,482,045	8,313,701	24,937,507	(20,970,647)
Total primary government	\$ 45,908,154	\$ 6,141,761	\$ 10,482,045	\$ 8,313,701	\$ 24,937,507	(20,970,647)
General revenues:						
Taxes:						
Property taxes						2,270,974
Sales taxes						5,422,375
Dispensary taxes						1,766,819
Cultivator taxes						2,675,943
Vehicle in-lieu taxes						33,384
Franchise taxes						2,350,450
Transient occupancy taxes						4,253,943
Total taxes						18,773,888
Investment income						618,222
Miscellaneous						567,334
Total general revenues						19,959,444
Change in net position						(1,011,203)
Net position - beginning of year, as restated (Note 15)						61,122,418
Net position - end of year						\$ 60,111,215

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND

FINANCIAL STATEMENTS

General Fund - As the City's primary operating fund, it accounts for and reports all financial resources of the City, except those required to be accounted for and reported in another fund.

Public Safety Special Revenue Fund - To account for and report special taxes and grants for community safety expenditures including Police, Fire and Animal Control.

American Recovery Act Special Revenue Fund - To account for the State and Local Agency Coronavirus Relief Funds provided to the City from the American Recovery Act.

Housing Authority Special Revenue Fund - To account for and report funds set aside for development and improvements of the City's housing activity and operations.

Capital Improvement Capital Projects Fund - To account for and report expenditures related to various capital projects identified in the City's 5-year CIP plan.

Debt Service Fund - To account for the debt service payments on the City's Lease Revenue Bonds and Certificate of Participation twice annually.

City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2023

		Special Revenue Funds		
	General Fund	Public Safety	American Recovery Act	Housing Authority
ASSETS				
Cash and investments	\$ 9,443,264	\$ -	\$ 4,388,108	\$ 2,467,436
Cash and investments with fiscal agents	-	-	-	-
Accounts receivable	2,493,293	2,583,594	-	-
Interest receivable	14,239	-	5,601	3,757
Notes receivable	-	-	-	3,354,172
Prepaid items	51,125	-	-	-
Due from other governments	-	-	-	-
Due from other funds	598,651	-	-	-
Property held for resale	-	-	-	85,090
Total assets	\$ 12,600,572	\$ 2,583,594	\$ 4,393,709	\$ 5,910,455
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,381,808	\$ 985,843	\$ 4,489	\$ -
Due to other funds	-	813	-	-
Deposits	2,013,042	63,631	-	-
Unearned revenue	-	86,702	4,368,518	-
Total liabilities	3,394,850	1,136,989	4,373,007	-
Deferred Inflows of Resources:				
Unavailable revenues	247,394	1,360,748	-	-
Fund Balances:				
Nonspendable	51,125	-	-	-
Restricted	455,254	85,857	20,702	5,910,455
Committed	8,103,848	-	-	-
Assigned	348,101	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	8,958,328	85,857	20,702	5,910,455
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,600,572	\$ 2,583,594	\$ 4,393,709	\$ 5,910,455

City of Desert Hot Springs
Balance Sheet (Continued)
Governmental Funds
June 30, 2023

	Capital Improvement Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,018,535	\$ 1,530,424	\$ 9,259,048	\$ 28,106,815
Cash and investments with fiscal agents	-	16,264,608	-	16,264,608
Accounts receivable	1,031,325	-	152,112	6,260,324
Interest receivable	-	3,062	15,991	42,650
Notes receivable	-	-	-	3,354,172
Prepaid items	-	-	-	51,125
Due from other governments	-	-	803,506	803,506
Due from other funds	-	1,041,825	-	1,640,476
Property held for resale	-	-	-	85,090
Total assets	\$ 2,049,860	\$ 18,839,919	\$ 10,230,657	\$ 56,608,766
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 220,903	\$ -	\$ 808,051	\$ 3,401,094
Due to other funds	1,410,969	-	228,694	1,640,476
Deposits	217,988	-	-	2,294,661
Unearned revenue	200,000	-	657,613	5,312,833
Total liabilities	2,049,860	-	1,694,358	12,649,064
Deferred Inflows of Resources:				
Unavailable revenues	871,222	-	449,044	2,928,408
Fund Balances:				
Nonspendable	-	13,954,304	-	14,005,429
Restricted	-	4,885,615	7,872,585	19,230,468
Committed	-	-	337,433	8,441,281
Assigned	-	-	3,803	351,904
Unassigned (deficit)	(871,222)	-	(126,566)	(997,788)
Total fund balances	(871,222)	18,839,919	8,087,255	41,031,294
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,049,860	\$ 18,839,919	\$ 10,230,657	\$ 56,608,766

See accompanying Notes to the Basic Financial Statements.

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City of Desert Hot Springs
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds	\$ 41,031,294
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, excluding the \$612,634 from the Internal Service Funds, used in governmental activities are not financial resources and are not reported in the funds:

Capital assets, not being depreciated	16,352,027	
Capital assets, being depreciated, net of \$497,299 reported in Internal Service Funds	54,386,676	
Intangible assets, being amortized, net of \$115,334 reported in Internal Service Funds	425,682	71,164,385

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned.	2,928,408
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Interest expenses are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(435,028)
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Long-term liabilities, net of \$811,136 reported in Internal Service funds were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet.

Deferred loss on refunding	344,785	
Long-term liabilities	(42,651,336)	(42,306,551)

Net pension liability is not due and payable in the current period; therefore, is not reported in the governmental funds. Deferred outflows of resources and deferred inflows of resources related to pensions are also not reported in the governmental funds.

Deferred outflows of resources	6,162,795	
Net pension liabilities	(15,127,110)	
Deferred inflows of resources	(3,449,022)	(12,413,337)

Internal service funds are used by management to charge the costs of general liability, workers' compensation and equipment replacement to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Government-Wide Statement of Net Position.	142,044
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Net Position of Governmental Activities	\$ 60,111,215
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City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

		Special Revenue Funds		
	General Fund	Public Safety	American Recovery Act	Housing Authority
REVENUES:				
Taxes	\$ 18,634,453	\$ 6,080,172	\$ -	\$ -
Permits and fees	2,716,374	791,393	-	-
Intergovernmental	19,528	189,065	615,918	1,095,947
Licenses	252,530	15,739	-	-
Investment earning	151,216	-	39,286	14,597
Miscellaneous	437,913	569,224	-	-
Total revenues	22,212,014	7,645,593	655,204	1,110,544
EXPENDITURES:				
Current:				
General government	7,713,039	-	16,659	-
Public safety	625,926	17,947,313	-	-
Public works	870,925	-	-	-
Economic development	3,180,564	-	-	144,004
Culture and leisure	1,495,494	-	-	-
Capital outlay	244,984	428,723	599,260	-
Debt service:				
Principal retirement	127,795	-	-	-
Interest and fiscal charges	1,213	-	-	-
Total expenditures	14,259,940	18,376,036	615,919	144,004
REVENUES OVER (UNDER) EXPENDITURES	7,952,074	(10,730,443)	39,285	966,540
OTHER FINANCING SOURCES (USES):				
Proceed from sale of asset	171,343	-	-	-
Transfers in	100,000	10,585,473	-	-
Transfers out	(12,733,984)	-	-	-
Total other financing sources (uses)	(12,462,641)	10,585,473	-	-
NET CHANGES IN FUND BALANCES	(4,510,567)	(144,970)	39,285	966,540
FUND BALANCES (DEFICIT):				
Beginning of year	13,468,895	230,827	(18,583)	4,943,915
End of year	<u>\$ 8,958,328</u>	<u>\$ 85,857</u>	<u>\$ 20,702</u>	<u>\$ 5,910,455</u>

See accompanying Notes to the Basic Financial Statements.

City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2023

	Capital Improvement Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ -	\$ 1,559,726	\$ 1,183,722	\$ 27,458,073
Permits and fees	-	-	2,216,927	5,724,694
Intergovernmental	3,864,032	-	2,867,342	8,651,832
Licenses	-	-	-	268,269
Investment earning	-	538,308	46,322	789,729
Miscellaneous	-	-	-	1,007,137
Total revenues	<u>3,864,032</u>	<u>2,098,034</u>	<u>6,314,313</u>	<u>43,899,734</u>
EXPENDITURES:				
Current:				
General government	-	11,000	-	7,740,698
Public safety	-	-	31,955	18,605,194
Public works	5,221	-	4,414,640	5,290,786
Economic development	-	-	-	3,324,568
Culture and leisure	-	-	310,602	1,806,096
Capital outlay	6,104,262	-	1,170,306	8,547,535
Debt service:				
Principal retirement	-	965,000	-	1,092,795
Interest and fiscal charges	-	1,424,243	-	1,425,456
Total expenditures	<u>6,109,483</u>	<u>2,400,243</u>	<u>5,927,503</u>	<u>47,833,128</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,245,451)</u>	<u>(302,209)</u>	<u>386,810</u>	<u>(3,933,394)</u>
OTHER FINANCING SOURCES (USES):				
Proceed from sale of asset	-	-	-	171,343
Transfers in	1,182,556	519,988	1,951,986	14,340,003
Transfers out	-	(1,018,535)	(587,484)	(14,340,003)
Total other financing sources (uses)	<u>1,182,556</u>	<u>(498,547)</u>	<u>1,364,502</u>	<u>171,343</u>
NET CHANGES IN FUND BALANCES	<u>(1,062,895)</u>	<u>(800,756)</u>	<u>1,751,312</u>	<u>(3,762,051)</u>
FUND BALANCES (DEFICIT):				
Beginning of year	191,673	19,640,675	6,335,943	44,793,345
End of year	<u>\$ (871,222)</u>	<u>\$ 18,839,919</u>	<u>\$ 8,087,255</u>	<u>\$ 41,031,294</u>

City of Desert Hot Springs
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (3,762,051)

Amounts reported for governmental activities in the Statement of Activities are different because:

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:

Capital outlay, net of \$123,938 reported in Internal Service Funds 8,547,535

Depreciation expense on capital assets, net of internal service fund depreciation expense of \$197,168 was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds. (4,839,939)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 992,062

The fund financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year. 9,928

Long-term compensated absences expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the decrease in long-term compensated absences was not reported as an expenditure in the governmental funds. (391,457)

Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Principal repayments of long-term debt	1,092,795	
Issuance of long-term debt	(171,343)	
Changes in pension-related debt	266,926	1,188,378

Amortization expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds.

Amortization of premium/discount	24,341	
Amortization of deferred charges on refunding	(8,348)	15,993

Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, net of \$2,481,450 pension contribution made after measurement date. (2,787,571)

Internal service funds were used by management to charge the costs of certain activities, such as insurance to individual funds. The net loss of the internal service funds was reported with governmental activities. 15,919

Change in Net Position of Governmental Activities **\$ (1,011,203)**

PROPRIETARY FUND FINANCIAL STATEMENTS

Internal Service Funds - To account for the City's risk management and equipment replacement activities, which are goods and services provided to other Funds of the City.

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City of Desert Hot Springs
Statement of Net Position
Proprietary Funds
June 30, 2023

	Governmental Activities
	Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	\$ 479,112
Accounts receivable	197
Total current assets	479,309
Noncurrent assets:	
Capital assets, being depreciated, net	497,299
Intangible capital assets, being amortized, net	115,334
Total capital assets	612,633
Total noncurrent assets	612,633
Total assets	1,091,942
LIABILITIES	
Current liabilities:	
Accounts payable	68,762
Claims payable - due within one year	206,075
Financing purchase payable - due within one year	179,107
Lease liabilities - due within one year	19,757
Total current liabilities	473,701
Noncurrent liabilities:	
Claims payable - due in more than one year	163,807
Financing purchase payable - due in more than one year	215,225
Lease liabilities - due in more than one year	97,165
Total noncurrent liabilities	476,197
Total liabilities	949,898
NET POSITION	
Net investment in capital assets	101,379
Unrestricted	40,665
Total net position	\$ 142,044

City of Desert Hot Springs
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 417,804
Insurance recovery	197
Total operating revenues	418,001
OPERATING EXPENSES:	
Insurance claims	148,540
Depreciation and amortization	197,168
Other expense	43,809
Total operating expenses	389,517
OPERATING (LOSS)	28,484
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(17,720)
Gain on sale of property	5,155
Total nonoperating revenues (expenses)	(12,565)
Change in net position	15,919
NET POSITION (DEFICIT):	
Beginning of year	126,125
End of year	<u><u>\$ 142,044</u></u>

City of Desert Hot Springs
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from use departments	\$ 417,804
Payments for vendor for goods and services	(25,452)
Payments for insurance claims	(313,112)
Net cash (used in) operating activities	<u>79,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on finance purchase and lease payable	(181,305)
Proceeds from sale of assets	5,155
Interest paid	(17,720)
Net cash (used in) capital and related financing activities	<u>(193,870)</u>
Net increase in cash and investments	(114,630)
CASH AND INVESTMENTS	
Beginning of year	<u>593,742</u>
End of year	<u><u>\$ 479,112</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:	
Operating (loss)	\$ 28,484
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	197,168
(Increase) decrease in accounts receivable	(197)
Increase (decrease) in accounts payable	65,283
Increase (decrease) in claims payable	(211,498)
Total adjustments	<u>50,756</u>
Net cash (used in) operating activities	<u><u>\$ 79,240</u></u>
NONCASH ITEM FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Issuance of lease	<u>\$ 123,938</u>
Assets leased	<u><u>\$ 123,938</u></u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

Successor Agency Private-Purpose Trust Fund - To account for the balances and transactions of the Successor Agency to the former Redevelopment Agency of the City of Desert Hot Springs.

Custodial Funds - To account for assets held by the City in the capacity of agent for individuals. Custodial Fund spending is controlled primarily through legal agreements and applicable State and Federal laws.

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City of Desert Hot Springs
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Successor Agency Private - Purpose Trust Fund	Custodial Funds
ASSETS		
Current assets:		
Cash and investments	\$ 2,118,592	\$ 2,854,406
Accounts receivable	-	17,382
Interest receivable	3,769	4,454
Total current assets	<u>2,122,361</u>	<u>2,876,242</u>
Noncurrent assets:		
Investments with fiscal agents	2,126,639	112,551
Notes receivable	16,294	-
Total noncurrent assets	<u>2,142,933</u>	<u>112,551</u>
Total assets	<u>4,265,294</u>	<u>2,988,793</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refundings	1,081,679	-
Total deferred outflows of resources	<u>1,081,679</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	575	54,112
Deposits payable	-	229,524
Interest payable	285,204	-
Bonds payable - due within one year	3,015,197	-
Total current liabilities	<u>3,300,976</u>	<u>283,636</u>
Noncurrent liabilities:		
Bonds payable - due in more than one year	17,056,232	-
Total noncurrent liabilities	<u>17,056,232</u>	<u>-</u>
Total liabilities	<u>20,357,208</u>	<u>283,636</u>
NET POSITION (DEFICIT)		
Restricted for:		
Successor Agency	(15,010,235)	-
Individuals, organization, and other governments	-	2,705,157
Total net position (deficit)	<u>\$ (15,010,235)</u>	<u>\$ 2,705,157</u>

City of Desert Hot Springs
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Successor Agency Private - Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Redevelopment Property Tax Trust Fund	\$ 3,250,873	\$ -
Assessment revenue collected	-	809,631
Use of money and property	70,335	27,416
Total additions	<u>3,321,208</u>	<u>837,047</u>
DEDUCTIONS:		
Interest expense	910,987	61,331
Administration	269,937	-
Recognized obligation payments to City of Desert Hot Springs	1,095,947	-
Payment of special assessment district expenses	-	133,599
Payment of other organization expenses	-	13,663
Total deductions	<u>2,276,871</u>	<u>208,593</u>
Changes in net position	1,044,337	628,454
NET POSITION (DEFICIT):		
Beginning of year	(16,054,572)	2,076,703
End of year	<u><u>\$ (15,010,235)</u></u>	<u><u>\$ 2,705,157</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Desert Hot Springs
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For the Year Ended June 30, 2023

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City of Desert Hot Springs
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For the Year Ended June 30, 2023

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City of Desert Hot Springs
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Desert Hot Springs, California (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies:

A. Financial Reporting Entity

The City was incorporated on September 17, 1963 as a charter city under the laws of the State of California and enjoys all the rights and privileges allowed by its charter. The City is governed by an elected five-member council.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units:

Management determined that the following entities should be reported as blended component units based on the criteria above. Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

City of Desert Hot Springs Financing Corporation (the “Corporation”) – The Corporation is a nonprofit public benefit corporation formed for the purpose of providing public facility financing to the City. The Corporation’s Board of Directors is composed of the five elected City Council members. The Corporation may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City. The Corporation holds title to various parcels of land as security for the Certificates of Participation issued in its name. The City makes lease payments to the Corporation in an amount equal to the periodic principal and interest payments due on the Certificates. The Corporation does not issue separate financial statements.

Desert Hot Springs Public Financing Authority (the “Authority”) – the Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated May 1, 1993, between the City and the Redevelopment Agency of the City which has been succeeded by the Successor Agency of the City. The Authority is governed by the Board of Directors. The Chairperson, Vice-Chairperson, Executive Director, and Secretary of the Authority consist of the Mayor, Mayor Pro Tem, City Manager, and City Clerk of the City, respectively. The Authority does not issue separate financial statements.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Units (Continued):

Desert Hot Springs Housing Authority (the “Housing Authority”) – The Housing Authority was formed on January 18, 2011 and operates as a public authority whose primary goal is to provide decent, safe and sanitary housing in a suitable living environment for families that cannot afford private housing that comply with housing quality standards. The Housing Authority does not issue separate financial statements.

These component units are included in the primary government because of the significance of their financial and operational relationship and due to the governing bodies being appointed by the City Council or the same as City Council.

The City has no discretely presented component units.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, 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 they are earned, while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The following interfund activities have been eliminated:

- Due from/to other funds
- Transfers in/out

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements

All 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, current liabilities, and deferred inflows of resources, are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

Revenues are recognized as soon as they are both "*measurable*" and "*available*". Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, citations, intergovernmental revenues, other taxes and abatement receivables. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following major governmental funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Public Safety Special Revenue Fund – This fund was established to account for special taxes and grants for public safety expenditures.

American Recovery Act Special Revenue Fund – This fund was established to account State and Local Agency Coronavirus Relief Funds provided to the City from the American Recovery Act.

Housing Authority Special Revenue Fund – To account for and report funds set aside for development and improvements of the City's housing activity and operations.

Capital Improvement Capital Projects Fund – To account for and report expenditures related to various capital projects identified in the City's 5-year CIP plan.

Debt Service Fund – This fund was established to account for the debt service payments of the City.

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The internal service funds are presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. The City's internal service funds include two individual funds which provide services directly to other City funds, which include risk management (combining general liability and workers' compensation activities) and equipment replacement.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent custodial funds and private purpose trust funds. Both custodial funds and the private purpose trust funds are accounted for on the full accrual basis of accounting where the assets associated with the activity are controlled by the City and the assets are not derived 1) solely from the government's own-source revenues or 2) from government-mandated nonexchange transactions or voluntary nonexchange transactions.

Fiduciary fund types are accounted for according to the nature of the fund. The City's private purpose trust fund is a fiduciary fund type used by the City to report assets, liabilities and activities of the Successor Agency to the former Redevelopment Agency of the City of Desert Hot Springs. The City's custodial funds are used to account for assets for the benefit of organizations or other governments that are not part of the City. In addition, the assets are not derived from the City's provisions of goods or services to those individuals, organizations, or other governments. These funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for various assessment districts for which the City acts as an agent for debt service activities or as agent for other foundations. The results of fiduciary fund type operations are presented in the Statement of Changes of Fiduciary Net Position.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments (Continued)

In addition, other disclosures are specified, including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

D. Cash and Investments with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Fair Value Measurement

Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets and liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets and liabilities at the measurement date.

F. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items. Prepaid items do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is nonspendable.

G. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans) and are eliminated in the government-wide financial statements as “interfund balances.”

H. Property Held for Resale

Property held for resale is carried at the lower of cost or net realized value, but not greater than the estimated net realizable value.

I. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 (including infrastructure assets).

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

The City established a threshold to recognize a right-to-use including lease asset or subscription-based information technology arrangements (“SBITA”) asset (“subscription assets”) in the government-wide financial statements and proprietary fund financial statements right-to-use asset over \$5,000.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and adjusted by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Subscription assets are recorded at the amount of the initial measurement of the SBITA liabilities (“subscription liabilities”) and adjusted by any subscription payments to the SBITA vendor at or before the commencement of the subscription term, less any incentives received from the SBITA vendor at or before the commencement of the subscription term along with subscription implementation costs. Subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

All other capital assets used in operations are depreciated over their estimated useful using the straight-line method. The lives used for depreciation purposes are as follows:

Building and improvements	30 years
Vehicles, machinery and equipment	3-10 years
Infrastructure	20 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities, such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

J. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized, as the liability is incurred, for governmental activities. In the fund financial statements, only proprietary fund and private-purpose trust fund types recognize the interest payable when the liability is incurred.

K. Unearned Revenue

Unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues are prepaid charges for services or advance grant with eligibility requirement.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Compensated Absences

Permanent City employees earn vacation and sick leave hours per pay period with rates depending on their length of employment. Upon separation from employment, the employees are paid for any unused vacation leave accrual balance. The City allows employees to accrue up to a maximum of 300 hours of vacation leave. There is no maximum on the number of sick leave hours that can be accrued. The compensated absences at June 30 is accrued when incurred in the government-wide financial statements. Compensated absences are primarily liquidated by the General Fund.

M. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

N. Deferred Outflows/Inflows of Resources

The Statement of Net Position and Balance Sheet report separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

O. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Long-Term Debt (Continued)

In the fund financial statements, with the exception of advances from other funds, the governmental fund financial statements do not present long-term liabilities. Consequently, long term debt is shown as a reconciling item in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

P. Lease Liabilities

The City recognizes lease liabilities with an initial, individual value of \$5,000 or more with a lease term greater than one year in the government-wide and proprietary fund financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses incremental borrowing rate provided by the financial institution or the current rate at the time a new lease is executed.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.
- Lease payments included in the measurement of the lease payable is composed of fixed payments to the lessor.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Q. Subscription Liabilities

The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more with a subscription term greater than one year in the government-wide and proprietary fund financial statements. Variable payments based on future performance of the City, usage of the underlying IT assets, or number of user seats are not included in the measurement of the subscription liability.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Key estimates and judgments related to subscription liabilities include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses incremental borrowing rate provided by the financial institution at July 1, 2022 for existing subscription or the current rate at the time a new subscription is executed.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Subscription Liabilities (Continued)

- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

R. Claims and Judgments

When it is probable that a claim or judgment liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage. The City is self-insured and has insurance coverage in excess of the self-insured amounts as a member of the Public Entity Risk Management Authority (“PERMA”).

S. Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Riverside, California (“County”) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected. No allowance for doubtful accounts was considered necessary.

T. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets, net of unspent debt proceeds, and the capital debt related deferred outflows and inflows of resources.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City’s policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances are items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager or designee for that purpose.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

- Committed
- Assigned
- Unassigned

V. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

W. Implementation of New GASB Pronouncements

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements (GASB Statement No. 96), to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Under this Statement, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset. The effective date of GASB Statement No. 96 is for fiscal years beginning after June 15, 2022. Implementation of this Statement resulted in restatement of beginning balance of capital assets (Note 5) and long-term debt liabilities (Note 6) at July 1, 2022.

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents at June 30, 2023:

	Government- Wide Statement of Net Position Governmental Activities	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 28,585,928	\$ 4,972,998	\$ 33,558,926
Cash and investments with fiscal agents	16,264,608	2,239,190	18,503,798
Total cash and investments	<u>\$ 44,850,536</u>	<u>\$ 7,212,188</u>	<u>\$ 52,062,724</u>

Cash and investments consisted of the following at June 30, 2023:

Cash and Investments:	
Petty cash	\$ 8,000
Demand deposits	18,598,269
Restricted cash	455,254
Investments	<u>33,001,201</u>
Total cash and investments	<u>\$ 52,062,724</u>

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$18,598,269 at June 30, 2023. Bank balances at that date were \$18,010,426, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the carrying amount and bank balances represents outstanding checks, deposits in transit, and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

A. Demand Deposits (Continued)

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC").

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Investments Authorized by the City's Investment Policy

The City annually adopts an investment policy to provide guidelines for the deposit and investment of public monies. The investment policy was consistent with the terms and provisions of California Government Code Section 53600 et seq.

Authorized Investment Type	Maximum Maturity *	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer *
United States Treasury Notes	5 years	80%	N/A
U.S. Sponsored Enterprise Securities	5 years	80%	N/A
Bankers' Acceptances	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable Certificates of deposit	5 years	30%	N/A
Local Agency Investment Fund ("LAIF")	N/A	No Limit	\$50 million
Medium-term notes	5 years	30%	N/A
Money Market Mutual Funds	N/A	20%	10%

N/A - Not Applicable

* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreement

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Authorized investments held by bond trustee are the same as those authorized by the City's investment policy identified above.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

C. Fair Value Measurement

At June 30, 2023, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within the fair value hierarchy in which the fair value measurements fall at June 30, 2023:

Investment Type	Value	Fair Value Measurement	
		Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)
Investments subject to fair value measurements:			
Negotiable certificates of deposits	\$ 1,699,643	\$ -	\$ 1,699,643
U.S. Treasury notes	1,536,691	1,536,691	-
U.S. government sponsored enterprise	2,259,504	-	2,259,504
Corporate notes and asset back securities	2,144,260	-	2,144,260
Foreign notes	254,967	-	254,967
Investments held with fiscal agents:			
U.S. Treasury notes	2,551,689	2,551,689	-
U.S. government agency bonds	480,134	-	480,134
Total investments subject to fair value measurements	10,926,888	\$ 4,088,380	\$ 6,838,508
Investments measured at amortized cost:			
Local Agency Investment Fund (LAIF)	6,491,700		
Money market funds	110,638		
Investments held with fiscal agents:			
Money market mutual funds	15,471,975		
Total investments	\$ 33,001,201		

Level 2 investments are valued based on institutional bond quotes or matrix pricing.

D. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that, final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2023, the City's investments had the following maturities:

Investment Type	Amount	Investment Maturities (in Years)				
		Less than 1	1 to 2	2 to 3	3 to 4	4 to 5
Local Agency Investment Fund (LAIF)	\$ 6,491,700	\$ 6,491,700	\$ -	\$ -	\$ -	\$ -
Negotiable Certificates of deposits	1,699,643	443,463	756,290	214,554	285,336	-
Money market funds	110,638	110,638	-	-	-	-
US Treasury notes	1,536,691	158,462	731,715	378,249	-	268,265
U.S. government sponsored enterprise	2,259,504	636,319	791,783	445,121	47,778	338,503
Corporate notes and asset back securities	2,144,260	622,712	350,865	172,175	683,940	314,568
Foreign notes	254,967	87,671	167,296	-	-	-
Investments held with fiscal agents:						
US Treasury notes	2,551,689	2,551,689	-	-	-	-
Money market mutual funds	15,471,975	15,471,975	-	-	-	-
US government agency bonds	480,134	-	-	247,506	-	232,628
Total	\$ 33,001,201	\$ 26,574,629	\$ 2,797,949	\$ 1,457,605	\$ 1,017,054	\$ 1,153,964

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Credit Risk

Generally, 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. To be eligible to receive City money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low-and-moderate income neighborhoods.

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

Investment Type	Fair Value	Minimum Legal Credit Rating	Credit Rating	Percentage of Investments with Credit Rate Risk
Local Agency Investment Fund (LAIF)	\$ 6,491,700	None	Not Rated	46%
Negotiable Certificates of deposits	1,699,643	None	A1	12%
Money market funds	110,638	Aaa	Aaa	N/A
US Treasury notes	1,536,691	None	Aaa	11%
U.S. government sponsored enterprise	2,259,504	None	Aaa	16%
Corporate notes and asset back securities	2,144,260	AA	Aaa/Aa/A	13%
Foreign notes	254,967	AA	Aaa	2%
Investments held with fiscal agents:				
US Treasury notes	2,551,689	N/A	Aaa	N/A
Money market mutual funds	15,471,975	N/A	Aaa	N/A
US government agency bonds	480,134	N/A	Aaa	N/A
Total	<u><u>\$ 33,001,201</u></u>			

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or 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 investments in securities through these of mutual funds or government investment pools (such as LAIF).

E. Investments in Local Agency Investment Fund

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2023 at amortized cost, which approximates fair value.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Notes Receivable

Notes receivable, which amounted to \$3,354,172, is reported in the Housing Authority Special Revenue Fund as follows:

Housing Rehabilitation Loan Program	\$ 404,172
Owner Participation and Loan Agreement:	
Low Income Housing Project	500,000
Low and Moderate Income Housing Units	750,000
Multifamily Residential Housing	1,700,000
Total	\$ 3,354,172

The former Redevelopment Agency of the City of Desert Hot Springs (“Redevelopment Agency”) operated a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. The outstanding balance of the loan at June 30, 2023 was \$404,172.

On June 7, 2006, the former Redevelopment Agency entered into an Owner Participation and Loan Agreement in the amount of \$500,000 with a developer to provide funding for development of 34 low-income housing units. On October 6, 2009, the former Redevelopment Agency entered into another Owner Participation and Loan Agreement for \$750,000 with a developer to provide funding for development of 60 low to moderate income housing units. On March 16, 2010, the former Redevelopment Agency entered into the third Owner Participation and Grant Agreement in the amount of \$1,700,000 with a developer to provide funding for development of a 62-unit multifamily residential housing project. The term of these agreements is 55 years.

Note 4 – Interfund Transactions

A. Due From/To Other Funds

At June 30, 2023, the City had the following short-term interfund receivable/payable:

	Due from Other Funds		
	General Fund	Debt Service Fund	Total
Due to Other Funds			
Public Safety Special Revenue Fund	\$ 813	\$ -	\$ 813
Capital Improvement Capital Projects Funds	369,144	1,041,825	1,410,969
Nonmajor Governmental Funds	228,694	-	228,694
Internal Service Funds	507,638	-	507,638
Total	\$ 1,106,289	\$ 1,041,825	\$ 2,148,114

The interfund balances resulted from temporary reclassifications made at June 30, 2023 to cover cash shortfalls.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Interfund Transactions (Continued)

B. Transfers In/Out

For the year ended June 30, 2023, the City had the following transfers in/out which arise in the normal course of operations:

	Transfers In					Total
	General Fund	Public Safety Special Revenue Fund	Capital Improvements Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfers Out						
General Fund	\$ -	\$ 10,420,157	\$ 164,021	\$ 197,820	\$ 1,951,986	\$ 12,733,984
Debt Service Fund	-	-	1,018,535	-	-	1,018,535
Nonmajor Governmental Funds	100,000	165,316	-	322,168	-	587,484
Total	<u>\$ 100,000</u>	<u>\$ 10,585,473</u>	<u>\$ 1,182,556</u>	<u>\$ 519,988</u>	<u>\$ 1,951,986</u>	<u>\$ 14,340,003</u>

The transfer of \$10,420,157 from General Fund to the Public Safety Special Revenue Fund was to fund public safety expenditures during the year in which there were insufficient revenues to cover. The transfers of \$164,021 to the Capital Improvements Fund was to fund capital projects. The transfers of \$197,820 to the Debt Service Fund was to fund debt service payments. The transfers of \$1,951,986 from General Fund to the Nonmajor Governmental Funds were budgeted transfers to provide funding for the expenditures of Citywide Lighting and Maintenance District and Cabot's Museum.

The transfers of \$1,018,535 from the Debt Service Fund to the Capital Improvements Fund was to fund capital projects.

The transfer of \$100,000 from the Nonmajor Governmental Funds to the General Fund was a payment for the City Council adopted interfund loan agreement with the General Fund for the reimbursement of expenses related to the construction of the new City Hall.

The transfers of \$165,316 from the Nonmajor Governmental Funds to the Public Safety Special Revenue Fund relates to assistance in funding public safety expenditures.

The transfers of \$322,168 from the Nonmajor Government Funds to the Debt Service Fund was to fund debt service payments.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Capital Assets

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2023 is as follows:

	Governmental Activities				Balance June 30, 2023
	Balance July 1, 2022 (As Restated)	Additions	Deletions	Transfers	
Nondepreciable assets:					
Land	\$ 2,958,094	\$ -	\$ -	\$ -	\$ 2,958,094
Construction in progress	7,695,430	5,698,503	-	-	13,393,933
Total nondepreciable assets	10,653,524	5,698,503	-	-	16,352,027
Depreciable assets:					
Building and improvements	44,981,783	1,581,330	-	-	46,563,113
Machinery and equipment	14,470,423	54,793	-	-	14,525,216
Vehicles	3,865,115	241,409	(96,253)	-	4,010,271
Infrastructure	44,025,073	800,157	-	-	44,825,230
Total capital assets, being depreciated	107,342,394	2,677,689	(96,253)	-	109,923,830
Less accumulated depreciation:					
Building and improvements	(14,286,291)	(1,494,570)	-	-	(15,780,861)
Machinery and equipment	(9,564,124)	(765,600)	-	-	(10,329,724)
Vehicles	(2,604,451)	(429,566)	96,253	-	(2,937,764)
Infrastructure	(23,779,223)	(2,212,283)	-	-	(25,991,506)
Total accumulated depreciation	(50,234,089)	(4,902,019)	96,253	-	(55,039,855)
Total depreciable assets, net	57,108,305	(2,224,330)	-	-	54,883,975
Intangible assets:					
Right of use - leased vehicles	-	123,938	-	-	123,938
Right to use - subscription asset	380,823	171,343	-	-	552,166
Total intangible assets, being amortized	380,823	295,281	-	-	676,104
Less accumulated amortization:					
Right of use - leased vehicles	-	(8,604)	-	-	(8,604)
Right to use - subscription asset	-	(126,484)	-	-	(126,484)
Total accumulated amortization	-	(135,088)	-	-	(135,088)
Total amortizable assets, net	380,823	160,193	-	-	541,016
Governmental activities capital assets, net	\$ 68,142,652	\$ 3,634,366	\$ -	\$ -	\$ 71,777,018

Depreciation and amortization expense was charged to functions/programs of governmental activities for the year ended June 30, 2023 as follows:

General government	\$ 2,967,379
Public safety	381,278
Public works	551,724
Culture and leisure	939,558
Internal service fund	197,168
Total depreciation expense	\$ 5,037,107

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Long-Term Liabilities

A. Governmental Activities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022 (As Restated)	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in more than One Year
2020 Certificates of Participation	\$ 4,840,000	\$ -	\$ (200,000)	\$ 4,640,000	\$ 200,000	\$ 4,440,000
Lease Revenue Bonds Series 2017A	13,475,000	-	(255,000)	13,220,000	330,000	12,890,000
Taxable Lease Revenue Bonds						
Series 2017A-T	60,000	-	(60,000)	-	-	-
Lease Revenue Bonds Series 2018	6,450,000	-	(130,000)	6,320,000	140,000	6,180,000
Lease Revenue Bonds Series 2021A	14,255,000	-	(320,000)	13,935,000	235,000	13,700,000
Taxable Lease Revenue Bonds						
Series 2021A-T	1,135,000	-	-	1,135,000	95,000	1,040,000
Subtotal	40,215,000	-	(965,000)	39,250,000	1,000,000	38,250,000
Add/(less) deferred amounts:						
Bond discount - 2017A-T	(114)	-	114	-	-	-
Bond premium - 2017A	148,922	-	(6,205)	142,717	6,205	136,512
Bond premium - 2018	257,692	-	(10,220)	247,472	10,220	237,252
Bond premium - 2021A	233,718	-	(8,030)	225,688	8,030	217,658
Total bonds payable	40,855,218	-	(989,341)	39,865,877	1,024,455	38,841,422
Santander finance purchase	568,621	-	(174,289)	394,332	179,107	215,225
Lease liabilities	-	123,938	(7,016)	116,922	19,757	97,165
Subscription liabilities	194,813	171,343	(127,795)	238,361	117,753	120,608
Claims and judgments payable	581,380	39,484	(250,982)	369,882	206,075	163,807
Compensated absences	1,130,718	965,119	(573,662)	1,522,175	456,653	1,065,522
Pension-related debt	1,291,849	72,520	(339,446)	1,024,923	228,313	796,610
Total	\$ 44,622,599	\$ 1,372,404	\$ (2,462,531)	\$ 43,532,472	\$ 2,232,113	\$ 41,300,359

California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (T.R.I.P. – Total Road Improvement Program) – Original Issue \$5,310,000

In October 2020, the City entered into a trust agreement with the California Statewide Communities Development Authority (the “Authority”), and issued the Certificates of Participation, Series 2020 (the “2020 Certificates”) in the amount of \$5,310,000. The purpose of the Certificates was to: 1) defeased the 2012A Certificates, and 2) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates. The City makes installment sale payments to the Authority, which are payable from Gas Tax revenues and Measure A receipts. The aggregate difference in debt service as result of the refinancing was \$1,699,086 and economic gain on the refinancing was \$873,318. The outstanding balance of the defeased 2012A Certificates at June 30, 2023 was \$4,535,000.

The 2020 Certificates accrue interest at rates between 0.435% and 3.238%, payable semiannually on June 1 and December 1, and mature through June 1, 2042.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

At June 30, 2023, the outstanding balance of the 2020 Certificates was \$4,640,000. The annual debt service requirements on the 2020 Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 200,000	\$ 117,766	\$ 317,766
2025	205,000	115,844	320,844
2026	210,000	113,669	323,669
2027	210,000	113,669	323,669
2028	210,000	107,360	320,724
2029-2033	1,140,000	468,897	1,602,813
2034-2038	1,285,000	314,909	1,601,240
2039-2042	1,180,000	97,140	1,599,253
Total	\$ 4,640,000	\$ 1,449,254	\$ 6,409,978

Lease Revenue Bonds, Series 2017A and the Taxable Lease Revenue Bonds, Series 2017A-T

In March 2017, the Desert Hot Springs Public Financing Authority (the “Authority”) issued the Lease Revenue Bonds, Series 2017A (the “Tax-Exempt Bonds”) and the Taxable Lease Revenue Bonds, Series 2017A-T (the “Taxable Bonds” in amount of \$13,895,000 and \$1,105,000, respectively. The purpose of the bonds is to (i) current refund the Certificates of Participation (Interim Cash Flow Financing) and Judgment Obligation Bonds, (ii) finance a new City Hall, (iii) make a deposit into a debt service reserve fund and (iv) pay the costs of issuing the Bonds. The aggregate difference in debt service as result of refinancing were \$477,856 for the Tax Exemption Bonds and \$222,211 for the Taxable Bonds, and economic gain on the refinancing were \$963,667 and \$43,838, respectively.

The Bonds accrue interest at rates between 2.000% and 3.750%, payable semiannually on March 1 and September 1, commencing September 1, 2017 and the principals are due annually on March 1.

The Tax-Exempt Bonds maturing on or before March 1, 2027 are not subject to optional redemption prior to their stated maturity. The Tax-Exempt Bonds maturing on or after March 1, 2028 are subject to redemption, as a whole or in part at a redemption price equal to 100% of the principal amount of Tax-Exempt Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Taxable Bonds are not subject to optional redemption prior to their stated maturity.

At June 30, 2023, the outstanding balance of the Tax-Exempt Bonds was \$13,220,000. The taxable bonds were paid off during the year ended June 30, 2023. The annual debt service requirements on the Bonds are as follows:

Year Ending June 30,	Tax Exempt Bonds		
	Principal	Interest	Total
2024	\$ 330,000	\$ 533,781	\$ 863,781
2025	345,000	518,931	\$ 863,931
2026	360,000	503,406	\$ 863,406
2027	375,000	487,206	\$ 862,206
2028	395,000	470,331	\$ 865,331
2029-2033	2,265,000	2,053,369	\$ 4,318,369
2034-2038	2,725,000	1,605,744	\$ 4,330,744
2039-2043	3,290,000	1,032,000	\$ 4,322,000
2044-2047	3,135,000	319,800	\$ 3,454,800
Total	\$ 13,220,000	\$ 7,524,568	\$ 20,744,568

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Lease Revenue Bonds, Series 2018

In October 2018 the Authority issued the Lease Revenue Bonds, Series 2018 (the “2018 bonds”) in the amount of \$6,850,000. The purpose of the bonds is to (i) finance a portion of the New City Hall being constructed by the City (ii) make a deposit into a debt service reserve fund for the Bonds, and (iii) pay the costs of issuing the bonds.

The bonds accrue interest at rates between 3.0% and 5.0%, payable semiannually on March 1 and September 1, commencing March 1, 2019. Principals are due annually commencing March 1, 2019 through March 1, 2048.

At June 30, 2023, the outstanding balance of the 2018 bonds were \$6,320,000. The annual debt service requirements on the 2018 bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 140,000	\$ 276,606	\$ 416,606
2024	145,000	269,606	414,606
2025	150,000	262,356	412,356
2026	160,000	254,856	414,856
2027	165,000	246,856	411,856
2028-2032	975,000	1,100,531	2,075,531
2033-2037	1,225,000	844,906	2,069,906
2038-2042	1,510,000	555,800	2,065,800
2043-2047	1,850,000	228,000	2,078,000
Total	\$ 6,320,000	\$ 4,039,517	\$ 10,359,517

Lease Revenue Bonds, Series 2021A and the Taxable Lease Revenue Bonds, Series 2021A-T

In August 2021, the Desert Hot Springs Public Financing Authority (the “Authority”) issued the Lease Revenue Bonds, Series 2021A (the “Tax-Exempt Bonds”) and the Taxable Lease Revenue Bonds, Series 2021A-T (the “Taxable Bonds”) in amount of \$14,835,000 and \$1,135,000, respectively. The purpose of the bonds is to (i) finance the acquisition and construction of a new police facility and fire station and, as to the taxable bonds, to provide funds for capital improvement projects within the City, (ii) make a deposit into a debt service reserve fund and (iii) pay the costs of issuing the Bonds. The aggregate difference in debt service as result of refinancing were \$477,856 for the Tax Exemption Bonds and \$222,211 for the Taxable Bonds, and economic gain on the refinancing were \$963,667 and \$43,838, respectively.

The bonds accrue interest at rates between 3.0% and 4.0%, payable annually on March 1, commencing March 1, 2022. Principal payments for the Tax-Exempt Bonds and the Taxable Bonds due annually on March 1, commencing March 1, 2022 and March 1, 2024 through March 1, 2051 and March 1, 2033, respectively.

The Tax-Exempt Bonds maturing on or before March 1, 2031 are not subject to optional redemption prior to their stated maturity. The Tax-Exempt Bonds maturing on or after March 1, 2032 are subject to redemption, as a whole or in part at a redemption price equal to 100% of the principal amount of Tax-Exempt Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Taxable Bonds maturing on or after March 1, 2023 are subject to redemption, as a whole or in part at a redemption price equal to 100% of the principal amount of Taxable Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

At June 30, 2023, the outstanding balance of the Tax-Exempt Bonds and the Taxable Bonds were \$13,935,000 and \$1,135,000, respectively. The annual debt service requirements on the Bonds are as follows:

Year Ending June 30,	Tax Exempt Bonds		Taxable Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 235,000	\$ 425,513	\$ 95,000	\$ 39,725	\$ 330,000	\$ 465,238
2025	240,000	416,113	100,000	36,400	340,000	452,513
2026	250,000	406,513	105,000	32,900	355,000	439,413
2027	265,000	396,513	105,000	29,225	370,000	425,738
2028	275,000	385,913	110,000	25,550	385,000	411,463
2029-2033	1,520,000	1,757,963	620,000	66,500	2,140,000	1,824,463
2034-2038	2,570,000	1,399,544	-	-	2,570,000	1,399,544
2039-2043	2,950,000	1,014,250	-	-	2,950,000	1,014,250
2044-2048	3,375,000	593,450	-	-	3,375,000	593,450
2049-2051	2,255,000	125,263	-	-	2,255,000	125,263
Total	\$ 13,935,000	\$ 6,921,035	\$ 1,135,000	\$ 230,300	\$ 15,070,000	\$ 7,151,335

Santander Purchase Financing Agreement

On February 10, 2021, the City entered into a purchase financing agreement with Lease Servicing Center, Inc. dba NCL Government Capital for the Police Department vehicles. Interest on the vehicles is 2.73% monthly for a period of 4 years commencing on August 30, 2021.

In the event of default, the lender may, at its option, exercise any of one or more of the following remedies: (1) by written notice to the City, declare all amounts then due under the lease, (2) by written notice require the City to promptly return the equipment to the lender at the City's expense, (3) exercise any other right, remedy or privilege which may be available to it under applicable laws of the State of California.

At June 30, 2023, the outstanding balance of the purchase financing agreement were \$394,332. The annual debt service requirements on the purchase financing agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 179,107	\$ 8,535	\$ 187,642
2025	184,058	3,584	187,642
2026	31,167	106	31,273
Total	\$ 394,332	\$ 12,225	\$ 406,557

Lease Liabilities

On October 20, 2022, the City entered into a 61-month lease agreement with Enterprise Fleet Management for 4 vehicles for a total monthly lease payment in the amount of \$ 1,443. Lease payments are due on the 1st of each month. Interest accrues at rates ranging from 2.82 percent to 3.45 percent annum. In the event of default, the lease shall be deemed terminated. Outstanding lease liabilities at June 30, 2023 was in the amount of \$116,992.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Lease Liabilities (Continued)

Future lease payments under the lease payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 19,757	\$ 12,881	\$ 32,638
2025	22,251	10,387	32,638
2026	25,050	7,588	32,638
2027	28,203	4,435	32,638
2028	21,661	1,038	22,699
Total	<u>\$ 116,922</u>	<u>\$ 36,329</u>	<u>\$ 153,251</u>

Subscription Liabilities

The City entered into subscription agreements with various vendors for software. The agreements expire from April 30, 2024 to May 31, 2026 with interest rates ranging 2.19 percent to 2.85 percent. Outstanding subscription liabilities at June 30, 2023 was in the amount of \$238,361.

The future subscription payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 117,753	\$ 5,779	\$ 123,532
2025	120,608	2,924	123,532
Total	<u>\$ 238,361</u>	<u>\$ 8,703</u>	<u>\$ 247,064</u>

Claims and Judgments Payable

The claims and judgments payable at June 30, 2023 was in the amount of \$369,882. The Risk Management Internal Service Fund has been used to liquidate the liability for claims and judgments payable. See Note 8 for details.

Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities was in the amount of \$1,522,175 at June 30, 2023. The General Fund has been used to liquidate the majority of the liability for compensated absences.

Pension-Related Debt

As of June 30, 2003, the California Public Employees' Retirement System ("CalPERS") implemented a risk pool for the City's multiple-employer public employee defined benefit pension plan. The City's Miscellaneous and Safety Plans converted from agent multiple-employer plans to cost-sharing multiple employer plans. In addition to the actuarially determined contributions (see Note 9), the City is also required to make annual payments on a Side Fund, which was created when the City entered the risk pool to account for the difference between the funded status of the pool and the funded status of the City's plans. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the risk pool.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Pension-Related Debt (Continued)

The annual payments on the Side Fund represent principal and interest payments on the pension-related debt, which are included in the retirement expenditures in the City's various functions.

The amount of pension-related debt outstanding at June 30, 2023 totaled \$1,024,923 for the Safety Plan. The future payment requirements are as follows:

Year Ending June 30,	Safety	Total
2024	\$ 228,313	\$ 228,313
2025	234,592	234,592
2026	241,043	241,043
2027	247,672	247,672
2028	73,303	73,303
	<u>\$ 1,024,923</u>	<u>\$ 1,024,923</u>

B. Fiduciary Activities

A summary of changes in long-term liabilities for the fiduciary fund for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in more than One Year
2008 Tax Allocation Bonds A-1	\$ 3,965,000	\$ -	\$ (1,915,000)	\$ 2,050,000	\$ 2,050,000	\$ -
2017 Tax Allocation Refunding Bonds	17,315,000	-	(840,000)	16,475,000	880,000	15,595,000
Subtotal	<u>21,280,000</u>	<u>-</u>	<u>(2,755,000)</u>	<u>18,525,000</u>	<u>2,930,000</u>	<u>15,595,000</u>
Add/(less) deferred amounts:						
Bond discount - 2008 TAB A-1	(69,928)	-	58,765	(11,163)	(11,163)	-
Bond premium - 2017 Tax Allocation Refunding Bonds	1,653,952	-	(96,360)	1,557,592	96,360	1,461,232
Total bonds payable	<u>\$22,864,024</u>	<u>\$ -</u>	<u>\$ (2,792,595)</u>	<u>\$20,071,429</u>	<u>\$ 3,015,197</u>	<u>\$17,056,232</u>

Tax Allocation Bonds Series 2008A-1 (Taxable) – Original Issue \$19,965,000

In April 2008, the former Redevelopment Agency issued Tax Allocation Bonds, Series 2008A-1 (Taxable) (the "Series 2008A-1 Bonds") in the amount of \$19,965,000. The purpose of the Series 2008A-1 Bonds was to: 1) provide funds to finance redevelopment activities including, without limitation, the acquisition of property for the benefit of the Merged Project Area, 2) to fund the reserve account, and 3) to pay certain costs of issuance of the Series 2008A-1 Bonds.

The Series 2008A-1 Bonds are 7% term bonds due September 1, 2023, with interest payable semiannually on September 1 and March 1 of each year. The 2008A-1 Bonds are subject to optional redemption, on any date prior to their maturity, in whole or in part, with maturities to be designated by the Successor Agency, at a redemption price equal to 100 percent of the principal amount of such 2008A-1 Bonds plus the Make-Whole Premium, if any, plus the accrued interest, if any, thereon to the redemption date.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Long-Term Liabilities (Continued)

B. Fiduciary Activities (Continued)

The Series 2008A-1 Bonds maturing on September 1, 2023 are also subject to redemption prior to their stated maturity, in part, pro rata, from sinking account installments deposited in the sinking account on September 1 of each year commencing September 1, 2009, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The Series 2008A-1 Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 135% of the annual debt service requirement each fiscal year, through final maturity of the Series 2008A-1 Bonds on September 1, 2023 or early retirement of the Series 2008A-1 Bonds, whichever occurs first. Revenues received by the Successor Agency from the RPTTF have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$2,125,525 and total net revenue reported by the Successor Agency was \$3,250,873. The ratio of net revenues to the debt service payments due during the year ended June 30, 2023 was 1.53 (153%).

The outstanding balance of the Series 2008A-1 Bonds at June 30, 2023 totaled to \$2,050,000. The annual debt service requirements on the Series 2008A-1 Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,050,000	\$ 71,750	\$ 2,121,750

Tax Allocation Refunding Bonds, Series 2017 – Original Issue \$20,020,000

In May 2017, the Successor Agency issued 2017 Subordinate Tax Allocation Refunding Bonds in the amount of \$20,020,000. The purpose of the bonds was to current refund 2006 Tax Allocation Refunding Bonds, 2008 Tax Allocation Bonds A-2, and 2009 Tax Allocation Bonds, and to fund the reserve account by purchasing the reserve policy and to pay the costs of issuing the 2017 Bonds. The aggregate difference in debt service as result of the refinancing were \$7,728,181 and economic gain on the refinancing were \$3,736,520. The 2017 Bonds are secured by a pledge of, security interest in and lien on all of the Tax, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund.

The Bonds accrue interest at rates between 2.000% and 5.000%, payable semiannually on March 1 and September 1, commencing September 1, 2017 and the principals are due annually on September 1. The 2017 Bonds are subject to optional redemption and mandatory sinking account redemption prior to maturity.

The outstanding balance of the 2017 Bonds at June 30, 2023 was \$16,475,000. The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 880,000	\$ 690,112	\$ 1,570,112
2025	925,000	644,988	1,569,988
2026	970,000	607,312	1,577,312
2027	1,000,000	567,763	1,567,763
2028	1,050,000	516,513	1,566,513
2029-2033	6,110,000	1,717,313	7,827,313
2034-2038	4,460,000	552,194	5,012,194
2039-2040	1,080,000	25,377	1,105,377
Total	\$ 16,475,000	\$ 5,321,570	\$ 21,796,570

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Non-City Obligation Debt

The City of Desert Hot Springs Community Facilities District No. 2006-1 (the “District”) issued Improvement Area 1 Special Tax Bonds, Series 2008A on October 16, 2008 in the amount of \$2,600,000. The bond proceeds, in conjunction with special tax collections, will be used to finance certain public facilities and fees within the City necessary for the development of property within Improvement Area 1 of the District. The bonds do not constitute a debt or liability of the City as they are secured by the special tax revenues levied by the District on real property within the boundaries of the Improvement Area 1. In August 2010, the District issued \$2,285,000 Improvement Area 1 Special Tax Refunding Bonds, Series 2010 and redeemed the Improvement Area 1 Special Tax Bonds, Series 2008A. In February 2020 the District issued the Area 1 Special Tax Refunding Bonds, Series 2020 and redeemed the Series 2010 bonds. The outstanding balance for the Improvement Area 1 Special Tax Refunding Bonds, Series 2020, at June 30, 2023 was \$1,773,222.

Note 8 – Risk Management

A. Coverage

The City retains a level of risk for both general liability and workers’ compensation. The insurance coverage in excess of the self-insured amount is provided by the Public Entity Risk Management Authority (“PERMA”), a public entity risk pool consisting of cities and other public agencies in Southern California established under the provisions of California Government Code Section 65000 et seq. Costs are shared amongst the members based upon deposit premium contributions. PERMA publishes its own annual financial reports, which can be obtained from PERMA at 72-811 Highway 111 #1014, Palm Desert, CA 92260.

General Liability

The City is self-insured for the first \$10,000 on each general liability claim against the City. The City pays an annual premium to PERMA for its excess general liability insurance coverage of \$50,000,000, including errors and omissions and auto liability.

Workers’ Compensation and Employers’ Liability

The City is self-insured for the first \$50,000 of each occurrence. The insurance coverage in excess of the self-insured amount is provided by PERMA. As a member of PERMA, all participating members share any losses in excess of the City’s self-insured amount up to statutory limits for workers’ compensation and \$5,000,000 per accident for employers’ liability.

Other Coverage

The City also has coverage for other risks of loss, including property insurance, auto physical damage insurance, crime coverage and employment practices liability. The City’s property insurance has a \$100,000,000 limit of coverage, including \$2,500,000 for flood, with a \$5,000 deductible per occurrence, except for \$100,000 for flood. The City’s auto physical damage insurance has a \$100,000,000 limit of coverage, with a \$5,000 deductible for all vehicles, except for \$10,000 for fire trucks valued over \$200,000. The City’s crime coverage has limits of coverage of \$5,000,000 with a \$2,500 deductible. The City’s cyber liability has a \$2,000,000 limit of coverage, including \$250,000 for privacy notification costs, with a \$50,000 deductible per claim. The City is self-insured for the first \$25,000 of each occurrence for employment practices liability, with excess insurance coverage up to a \$1,000,000 limit.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Risk Management (Continued)

B. Claims Activity

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2023, the amount of these liabilities was \$369,882 and was the City's best estimate based on available information.

A summary of the changes in claims liabilities for the past three fiscal years is as follows:

Year Ended June 30,	Claims Payable July 1	Claims Incurred during the Fiscal Year	Claims Payments	Year Ended June 30
2021	\$ 552,697	\$ 423,770	\$ (194,888)	\$ 781,579
2022	781,579	76,419	(276,618)	581,380
2023	581,380	39,484	(250,982)	369,882

C. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Note 9 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The City contributes to CalPERS, a cost-sharing multiple-employer defined benefit pension plan, for its miscellaneous and safety employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its website at <https://www.calpers.ca.gov/page/forms-publications>.

Employees Covered by Benefit Terms

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

	Miscellaneous Plans			Safety Police Plans		
	1st Tier	2nd Tier	PEPRA	1st Tier	2nd Tier	PEPRA
Active employees	12	7	43	3	3	20
Transferred and terminated employees	21	2	11	23	5	6
Separated	33	4	15	10	-	8
Retired Employees and Beneficiaries	57	2	2	67	1	3
Total	123	15	71	103	9	37

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation.

Following are the benefit provisions for each plan:

- Miscellaneous First Tier: 2.0% or 2.7% (at age 55) of the highest paid consecutive 12 months' compensation
- Miscellaneous Second Tier: 2.0% (at age 60) of the highest paid consecutive 36 months' compensation
- Miscellaneous PEPRA: 2.0% (at age 62) of the highest paid consecutive 36 months' compensation
- Safety Police First Tier: 3.0% (at age 50) of the highest paid consecutive 12 months' compensation
- Safety Police Second Tier: 3.0% (at age 55) of the highest paid consecutive 36 months' compensation
- Safety PEPRA: 2.7% (at age 57) of the highest paid consecutive 36 months' compensation

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 6 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2022, the contribution rates were as follows:

Plans	Active Employee Contribution Rate	Employer Contribution Rate
Miscellaneous First Tier	8.000%	14.030%
Miscellaneous Second Tier	7.000%	8.630%
Miscellaneous PEPR	6.750%	7.470%
Safety Police First Tier	9.000%	27.140%
Safety Police Second Tier	9.000%	24.220%
Safety Police PEPR	15.000%	14.770%

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Change of Assumption

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class ¹	Assumed Asset	
	Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.00%	4.54
Global Equity - Non-Cap-weighted	12.00%	3.84
Private Equity	13.00%	7.28
Treasury	5.00%	0.27
Mortgage-backed Securities	5.00%	0.50
Investment Grade Corporates	10.00%	1.56
High Yield	5.00%	2.27
Emerging Market Debt	5.00%	2.48
Private Debt	5.00%	3.57
Real Assets	15.00%	3.21
Leverage	-5.00%	(0.59)
	<u>100.00%</u>	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan	\$ 6,710,799	\$ 4,224,808	\$ 2,179,454
Safety Plan	\$ 16,234,313	\$ 10,902,302	\$ 6,544,587

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous Plan			
Balance at: 6/30/21 (Valuation date)	\$ 16,305,084	\$ 14,423,728	\$ 1,881,356
Balance at: 6/30/22 (Measurement date)	18,236,704	14,011,896	4,224,808
Net Changes during 2021-2022	1,931,620	(411,832)	2,343,452
	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Safety Plan			
Balance at: 6/30/21 (Valuation date)	\$ 36,044,471	\$ 30,296,571	\$ 5,747,900
Balance at: 6/30/22 (Measurement date)	38,610,221	27,707,919	10,902,302
Net Changes during 2021-2022	2,565,750	(2,588,652)	5,154,402

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2021). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2022). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2022 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2021-2022).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City's share of net pension liability at the measurement date.

The City's proportionate share of the net pension liability was as follows:

	Plans	
	Miscellaneous	Safety
June 30, 2021	0.03479%	0.10628%
June 30, 2022	0.03658%	0.09439%
Change - (Decrease)	0.00179%	-0.01189%

For the year ended June 30, 2023, the City recognized pension expense in the amounts of \$4,590,702 and \$678,316 for the miscellaneous and safety plans, respectively.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The amortization period differs depending on the source of the gain or loss for the miscellaneous and safety plans, respectively. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired).

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan		Total	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution made after measurement date	\$ 978,819	\$ -	\$ 1,502,631	\$ -	\$ 2,481,450	\$ -
Changes of assumptions	-	(332,757)	1,099,282	-	1,099,282	(332,757)
Difference between expected and actual experience	43,677	(65,212)	451,206	(118,391)	494,883	(183,603)
Difference between projected and actual earning on pension plan investments	-	(594,825)	1,721,627	-	1,721,627	(594,825)
Adjustment due to differences in proportions	-	(1,777,316)	234,482	-	234,482	(1,777,316)
Difference between City contributions and proportionate share of contributions	131,071	-	-	(560,521)	131,071	(560,521)
Total	<u>\$ 1,153,567</u>	<u>\$ (2,770,110)</u>	<u>\$ 5,009,228</u>	<u>\$ (678,912)</u>	<u>\$ 6,162,795</u>	<u>\$ (3,449,022)</u>

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/ (Inflows) of	
	Miscellaneous	Safety
2023	\$ (827,336)	\$ 804,332
2024	(835,280)	628,272
2025	(568,931)	344,865
2025	(363,815)	1,050,216
	<u>\$ (2,595,362)</u>	<u>\$ 2,827,685</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Jointly Governed Organization

Eastern Riverside County Interoperable Communications Authority

The City is a member of the Eastern Riverside County Interoperable Communications Authority (“ERICA”), a Joint Powers Authority, created to establish and operate a consolidated communications system which provides emergency call receiving and dispatching services. Other members of ERICA include the Cities of Beaumont, Cathedral City, Indio, and Palm Springs. The members, including the City, are responsible for funding the operations of ERICA through annual assessments. The annual assessments are based on percentages calculated for each member. The City contributed \$124,789 during the year ended June 30, 2023. The audited financial statements of ERICA can be obtained at 100 Civic Center Mall, Indio, CA 92201.

On April 10, 2009, ERICA and three member agencies, including Indio, Palm Springs, and the City, entered into a reimbursement agreement relating to a municipal financing purchase agreement with Motorola, Inc., in the aggregate principal amount of \$5,557,603. The agreement obligates the three member agencies to pay 33.3% of the annual financing payments, as set forth in the municipal lease purchase agreement with Motorola, Inc. ERICA also entered into a reimbursement agreement with all member agencies, which obligates each member agency to pay 20% of the annual financing payments for a master logging recorder, in the aggregate principal amount of \$202,489. The City made payments of \$134,334 and \$4,059 for the Motorola and Master Logging Recorder respectively during the year ended June 30, 2023.

The following represents the City’s obligation for future lease payments:

	Motorola Lease	Master Logging	
	Reimbursement	Recorder	Lease
Year Ending June 30,		Reimbursement	Reimbursement
2024	\$ 134,334	\$ 4,059	\$ 138,393

Note 11 – Classification of Fund Balances

The City Council adopted resolution No. 2015-050 to commit 25% of cannabis tax revenue for emergency reserve. The funds can only be used when the City is unable to pay for its general obligations within the next 60 days and that such condition jeopardizes the health, safety, or well-being of the residents of the City.

On August 21, 2018 the City Council approved the Comprehensive Financial Management Policies which included a Reserve for Natural or Fiscal Emergencies. The designated reserve is 15% of General Fund budgeted operational appropriations with the purpose of providing funding for natural or fiscal emergencies.

The assigned fund balance totaling \$1,155,825 is being held in the General Fund to fund the operations of the City for the fiscal year ending 2022-2023. Assigned fund balances encompass the portion of the net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The City Council has authorized the City Manager or designee for that purpose.

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Classification of Fund Balances (Continued)

At June 30, 2023, fund balances are classified as follows:

	Major Funds							
	Special Revenue Funds				Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	General Fund	Public Safety	American Recovery Act	Housing Authority				
Nonspendable:								
Prepaid items	\$ 51,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,125
Total nonspendable	51,125	-	-	-	-	-	-	51,125
Restricted:								
Furbie settlement	455,254	-	-	-	-	-	-	455,254
Housing and economic development	-	-	-	5,910,455	-	-	6,495	5,916,950
Public safety	-	85,857	20,702	-	-	-	139,325	245,884
Public works/projects	-	-	-	-	-	-	4,756,543	4,756,543
Culture and leisure	-	-	-	-	-	-	1,676,553	1,676,553
Debt service	-	-	-	-	-	4,885,615	-	4,885,615
Bond funded capital projects	-	-	-	-	-	13,954,304	-	13,954,304
Lighting/Landscaping/Drainage	-	-	-	-	-	-	1,169,789	1,169,789
Assessment District 91-1	-	-	-	-	-	-	123,880	123,880
Total restricted	455,254	85,857	20,702	5,910,455	-	18,839,919	7,872,585	33,184,772
Committed:								
Emergency Reserve	5,118,215	-	-	-	-	-	-	5,118,215
Reserve for capital use	746,408	-	-	-	-	-	-	746,408
Natural or Fiscal								
Emergency Reserve	2,239,225	-	-	-	-	-	-	2,239,225
Art in public place	-	-	-	-	-	-	268,581	268,581
Cabot's Museum	-	-	-	-	-	-	68,852	68,852
Total committed	8,103,848	-	-	-	-	-	337,433	8,441,281
Assigned:								
Operations	348,101	-	-	-	-	-	-	348,101
Cannabis control	-	-	-	-	-	-	3,803	3,803
Total assigned	348,101	-	-	-	-	-	3,803	351,904
Unassigned:	-	-	-	-	(871,222)	-	(126,566)	(997,788)
Total	\$ 8,958,328	\$ 85,857	\$ 20,702	\$ 5,910,455	\$ (871,222)	\$ 18,839,919	\$ 8,087,255	\$ 41,031,294

Note 12 – Net Investment in Capital Assets

The net investment in capital assets for governmental activities is calculation as follows:

	Governmental Activities
Total capital assets, net	\$ 71,777,018
Unspent capital debt proceed	13,954,304
Deferred loss on refunding debt	344,785
Capital related debt	(40,615,492)
Net investment in capital assets	<u>\$ 45,460,615</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 13 – Contingencies and Commitments

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City, except for the lawsuit described below. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs were audited in accordance with the provisions of the Uniform Guidance and applicable State requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Note 14 – Individual Fund Disclosure

Fund with deficit fund balances at June 30, 2023 are as follows:

	<u>Deficit</u>
County Service Area 152 Special Revenue Fund	\$ (126,566)
Capital Improvement Capital Projects Fund	(871,222)

The City plans to eliminate the deficit fund balances with future grant receipts billed but not yet received.

The following funds exceeded appropriation amounts for the year ended June 30, 2023.

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures in Excess of Appropriations</u>
General Fund	\$ 14,259,940	\$ 13,080,843	\$ (1,179,097)
Air Quality Control Special Revenue Fund	39,637	39,000	(637)
County Service Area 152 Special Revenue Fund	152,113	144,790	(7,323)

Note 15 – Restatement of Beginning Net Position

	<u>Governmental Activities</u>
Net position as previously reported at July 1, 2022	\$ 60,936,408
Subscription assets	380,823
Subscription liabilities	(194,813)
Net position as restated at July 1, 2022	<u>\$ 61,122,418</u>

City of Desert Hot Springs
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 16 – Subsequent Events

As of December 1, 2023, the City of Desert Hot Springs issued Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Bonds, Series 2023 in the amount \$1,970,000 of with respect to Improvement Area 1 of the City of Desert Hot Springs Community Facilities District No. 2006-1. The Bonds will be used to (i) finance certain public improvements to be owned by the City; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance for the Bonds. The Bonds are secured by Special Tax Revenues consisting primarily of a certain annual Special Tax to be levied according to a rate and method of apportionment approved by the City Council of the City on taxable parcels within Improvement Area 1 of the District and from certain other funds pledged under the Fiscal Agent Agreement.

On August 20, 2023, Tropical Storm Hilary hit the Coachella Valley and City suffered major impacts from flood damaged to one bridge and three major arterials in the city. On November 9, 2023, the Federal Highway Administration (“FHWA”) approved Emergency Relief Program funding to the City to repair the damaged facilities. As of February 12, 2024, the City of Desert Hot Springs entered into a loan agreement with the Riverside County Transportation Commission (“RCTC”) for the Storm Damaged Road Repairs Project. This loan is to be repaid by the City immediately upon reimbursement of the FHWA’s payment to the City. The City shall receive two disbursements from the RCTC, the sum not to exceed \$7,500,000. The loan shall bear interest at a rate of approximately 4%.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules
General Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 20,125,904	\$ 21,852,282	\$ 18,634,453	\$ (3,217,829)
Permits and fees	2,590,000	3,260,887	2,716,374	(544,513)
Intergovernmental	77,000	205,000	19,528	(185,472)
Licenses	180,000	230,000	252,530	22,530
Investment earning	50,100	50,100	151,216	101,116
Miscellaneous	563,860	648,860	437,913	(210,947)
Total revenues	23,586,864	26,247,129	22,212,014	(4,035,115)
EXPENDITURES:				
Current:				
General government	6,276,982	6,791,109	7,713,039	(921,930)
Public safety	565,309	596,349	625,926	(29,577)
Public works	747,806	855,706	870,925	(15,219)
Economic development	2,541,433	3,250,575	3,180,564	70,011
Culture and leisure	1,059,144	1,573,859	1,495,494	78,365
Capital outlay	-	13,245	244,984	(231,739)
Debt service:				
Principal retirement	-	-	127,795	(127,795)
Interest and fiscal charges	-	-	1,213	(1,213)
Total expenditures	11,190,674	13,080,843	14,259,940	(1,179,097)
REVENUES OVER (UNDER) EXPENDITURES	12,396,190	13,166,286	7,952,074	(5,214,212)
OTHER FINANCING SOURCES (USES):				
Proceed from sale of asset	-	-	171,343	171,343
Transfers in	100,000	100,000	100,000	-
Transfers out	(2,310,784)	(2,309,668)	(12,733,984)	(10,424,316)
Total other financing sources (uses)	(2,210,784)	(2,209,668)	(12,462,641)	(10,252,973)
Net changes in fund balance	\$ 10,185,406	\$ 10,956,618	(4,510,567)	\$ (15,467,185)
FUND BALANCE:				
Beginning of year			13,468,895	
End of year			<u>\$ 8,958,328</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules (Continued)
Public Safety Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 5,691,075	\$ 6,015,253	\$ 6,080,172	\$ 64,919
Permits and fees	375,500	376,000	791,393	415,393
Intergovernmental	128,747	103,448	189,065	85,617
Licenses	12,000	16,000	15,739	(261)
Miscellaneous	300,000	414,000	569,224	155,224
Total revenues	6,507,322	6,924,701	7,645,593	720,892
EXPENDITURES:				
Current:				
Public safety	16,554,473	20,108,698	17,947,313	2,161,385
Capital outlay	-	117,009	428,723	(311,714)
Total expenditures	16,554,473	20,225,707	18,376,036	1,849,671
REVENUES OVER (UNDER) EXPENDITURES	(10,047,151)	(13,301,006)	(10,730,443)	2,570,563
OTHER FINANCING SOURCES (USES):				
Transfers in	150,200	150,200	10,585,473	10,435,273
Transfers out	(193,348)	(193,348)	-	193,348
Total other financing sources (uses)	(43,148)	(43,148)	10,585,473	10,628,621
Net changes in fund balance	\$ (10,090,299)	\$ (13,344,154)	(144,970)	\$ 13,199,184
FUND BALANCE:				
Beginning of year			230,827	
End of year			<u>\$ 85,857</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules (Continued)
American Recovery Act Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ 3,454,116	\$ 615,918	\$ (2,838,198)
Investment earning	-	-	39,286	39,286
Total revenues	-	3,454,116	655,204	(2,798,912)
EXPENDITURES:				
Current:				
General government	-	300,000	16,659	283,341
Capital outlay	-	575,000	599,260	(24,260)
Total expenditures	-	875,000	615,919	259,081
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 2,579,116</u>	39,285	<u>\$ (2,539,831)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(18,583)	
End of year			<u>\$ 20,702</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedules (Continued)
Housing Authority Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 736,628	\$ 1,095,947	\$ 1,095,947	\$ -
Investment earning (loss)	1,000	1,000	14,597	13,597
Total revenues	<u>737,628</u>	<u>1,096,947</u>	<u>1,110,544</u>	<u>13,597</u>
EXPENDITURES:				
Current:				
Economic development	540,934	583,189	144,004	439,185
Total expenditures	<u>540,934</u>	<u>583,189</u>	<u>144,004</u>	<u>439,185</u>
REVENUES OVER EXPENDITURES	<u>196,694</u>	<u>513,758</u>	<u>966,540</u>	<u>452,782</u>
NET CHANGE IN FUND BALANCE	<u>\$ 196,694</u>	<u>\$ 513,758</u>	<u>966,540</u>	<u>\$ 452,782</u>
FUND BALANCE:				
Beginning of year			<u>4,943,915</u>	
End of year			<u>\$ 5,910,455</u>	

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2023

Budgetary Information

A. General Budget Policies

The City adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Budgets are developed in accordance with U.S. GAAP. The City Council approves each year's budget, submitted by the City Manager, prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. Budgeted amounts transferred between accounts are approved by the Administrative Services Director. Budgeted amounts transferred between departments are approved by the City Manager. Supplemental appropriations, where required during the period, are approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. At fiscal year-end, all unencumbered operating budget appropriations lapse, with the exception of continuing appropriations. All adopted budgets are presented for the year ended June 30, 2023.

On June 1, 2022, the City Council approved and adopted the budget for fiscal year 2022-2023.

B. Continuing Appropriations

At fiscal year-end, all unencumbered appropriations lapse, however, certain unexpended capital funds are carried over into the next fiscal year's budget.

C. Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, special revenue, and similar governmental funds. Encumbrances outstanding at year-end represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
City's Proportion of the Net Pension Liability	0.036576%	0.034787%	0.033897%	0.033941%
City's Proportionate Share of the Net Pension Liability	\$ 4,224,808	\$ 1,881,356	\$ 3,688,124	\$ 3,477,949
City's Covered Payroll	\$ 4,937,410	\$ 4,127,066	\$ 3,761,101	\$ 2,959,267
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	<u>85.57%</u>	<u>45.59%</u>	<u>98.06%</u>	<u>117.53%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>88.46%</u>	<u>88.46%</u>	<u>75.03%</u>	<u>74.42%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plan

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
City's Proportion of the Net Pension Liability	0.094390%	0.106280%	0.088006%	0.086341%
City's Proportionate Share of the Net Pension Liability	\$ 10,902,302	\$ 5,747,900	\$ 9,575,470	\$ 8,847,411
City's Covered Payroll	\$ 2,954,027	\$ 2,680,518	\$ 2,589,732	\$ 2,336,427
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	<u>369.07%</u>	<u>214.43%</u>	<u>369.75%</u>	<u>378.67%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>100.84%</u>	<u>100.84%</u>	<u>71.79%</u>	<u>72.27%</u>

¹ Historical information is presented only for measurement periods after GASB 68 is implemented.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.033931%	0.034925%	0.034970%	0.037816%	0.035817%
City's Proportionate Share of the Net Pension Liability	\$ 3,269,715	\$ 3,401,088	\$ 3,025,986	\$ 2,595,635	\$ 2,228,699
City's Covered Payroll	\$ 2,388,548	\$ 2,120,646	\$ 1,539,232	\$ 1,377,634	\$ 1,617,185
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	<u>136.89%</u>	<u>160.38%</u>	<u>196.59%</u>	<u>188.41%</u>	<u>137.81%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>73.33%</u>	<u>69.89%</u>	<u>70.33%</u>	<u>73.82%</u>	<u>76.24%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plan

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.086051%	0.083719%	0.084890%	0.090361%	0.090082%
City's Proportionate Share of the Net Pension Liability	\$ 8,292,081	\$ 8,302,607	\$ 7,345,645	\$ 6,202,312	\$ 5,642,660
City's Covered Payroll	\$ 2,107,816	\$ 1,834,204	\$ 1,749,649	\$ 1,523,928	\$ 1,772,829
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	<u>393.40%</u>	<u>452.65%</u>	<u>419.84%</u>	<u>407.00%</u>	<u>318.29%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.00%</u>	<u>69.58%</u>	<u>69.57%</u>	<u>73.79%</u>	<u>73.76%</u>

¹ Historical information is presented only for measurement periods after GASB 68 is implemented.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions - Pensions
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution	\$ 978,819	\$ 793,811	\$ 692,622	\$ 611,957	\$ 496,387
Contribution in Relation to the Actuarially Determined Contribution	(978,819)	(793,811)	(692,622)	(611,957)	(496,387)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ¹	\$ 5,075,657	\$ 4,937,410	\$ 4,127,066	\$ 3,761,101	\$ 2,959,267
Contributions as a Percentage of Covered Payroll	19.28%	16.08%	16.78%	16.27%	16.77%

California Public Employees' Retirement System ("CalPERS") Safety Plan

Fiscal year	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution	\$ 1,502,631	\$ 1,348,612	\$ 1,269,835	\$ 1,093,535	\$ 911,294
Contribution in Relation to the Actuarially Determined Contribution	(1,502,631)	(1,348,612)	(1,269,835)	(1,093,535)	(911,294)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ¹	\$ 3,036,740	\$ 2,954,027	\$ 2,680,518	\$ 2,589,732	\$ 2,336,427
Contributions as a Percentage of Covered Payroll	49.48%	45.65%	47.37%	42.23%	39.00%

¹ Includes one year's payroll growth using 2.80 percent payroll assumption for fiscal year 2022-23.

Notes to Schedule

Changes of Assumptions: In 2022, the accounting discount rate reduced from 7.15 percent to 6.90 percent. In 2021, 2020, and 2019, no change in assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Desert Hot Springs
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions - Pensions (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 423,598	\$ 355,494	\$ 313,565	\$ 217,165	\$ 310,127
Contribution in Relation to the Actuarially Determined Contribution	(423,598)	(355,494)	(313,565)	(217,165)	(310,127)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,388,548	\$ 2,120,646	\$ 1,539,232	\$ 1,377,634	\$ 1,617,185
Contributions as a Percentage of Covered Payroll	17.73%	16.76%	20.37%	15.76%	19.18%

California Public Employees' Retirement System ("CalPERS") Safety Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially Determined Contribution	\$ 769,408	\$ 688,645	\$ 639,246	\$ 380,758	\$ 765,202
Contribution in Relation to the Actuarially Determined Contribution	(769,408)	(688,645)	(639,246)	(380,758)	(765,202)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,107,816	\$ 1,834,204	\$ 1,749,649	\$ 1,523,928	\$ 1,772,829
Contributions as a Percentage of Covered Payroll	36.50%	37.54%	36.54%	24.99%	43.16%

Notes to Schedule

Changes of Assumptions: In 2022, the accounting discount rate reduced from 7.15 percent to 6.90 percent. In 2021, 2020, and 2019, no change in assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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SUPPLEMENTARY INFORMATION

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City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Improvement Capital Projects Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 1,427,760	\$ 6,080,552	\$ 3,864,032	\$ (2,216,520)
Total revenues	<u>1,427,760</u>	<u>6,080,552</u>	<u>3,864,032</u>	<u>(2,216,520)</u>
EXPENDITURES:				
Current:				
Public works	-	-	5,221	(5,221)
Capital outlay	<u>1,427,760</u>	<u>23,440,588</u>	<u>6,104,262</u>	<u>17,336,326</u>
Total expenditures	<u>1,427,760</u>	<u>23,440,588</u>	<u>6,109,483</u>	<u>17,331,105</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(17,360,036)</u>	<u>(2,245,451)</u>	<u>15,114,585</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>200,000</u>	<u>164,021</u>	<u>1,182,556</u>	<u>1,018,535</u>
Total other financing sources	<u>200,000</u>	<u>164,021</u>	<u>1,182,556</u>	<u>1,018,535</u>
NET CHANGE IN FUND BALANCE	<u>\$ 200,000</u>	<u>\$ (17,196,015)</u>	<u>(1,062,895)</u>	<u>\$ 16,133,120</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>191,673</u>	
End of year			<u>\$ (871,222)</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Debt Service Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 1,250,000	\$ 1,755,000	\$ 1,559,726	\$ (195,274)
Investment earning (loss)	(18,000)	(15,500)	538,308	553,808
Total revenues	<u>1,232,000</u>	<u>1,739,500</u>	<u>2,098,034</u>	<u>358,534</u>
EXPENDITURES:				
Current:				
General government	13,000	15,500	11,000	4,500
Debt service:				
Principal retirement	645,000	645,000	965,000	(320,000)
Interest and fiscal charges	1,774,488	1,774,488	1,424,243	350,245
Total expenditures	<u>2,432,488</u>	<u>2,434,988</u>	<u>2,400,243</u>	<u>34,745</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,200,488)</u>	<u>(695,488)</u>	<u>(302,209)</u>	<u>393,279</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,560,356	519,988	519,988	-
Transfers out	-	(1,000,000)	(1,018,535)	(18,535)
Total other financing sources (uses)	<u>1,560,356</u>	<u>(480,012)</u>	<u>(498,547)</u>	<u>(18,535)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 359,868</u>	<u>\$ (1,175,500)</u>	<u>(800,756)</u>	<u>\$ 374,744</u>
FUND BALANCE:				
Beginning of year			<u>19,640,675</u>	
End of year			<u>\$ 18,839,919</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Gas Tax Special Revenue Fund - To account for street maintenance activity. The source of funds is the State gasoline tax and related sales tax under the Streets and Highways Code of the State of California. Expenditures are restricted to construction, improvement and maintenance of public streets.

SBI Road Maintenance and Rehabilitation Special Revenue Fund - To account for revenue received from the State under the Road Repair and Accountability Act of 2017. The funding is used for street maintenance and rehabilitation needs.

Municipal Lighting / Landscaping Assessment District Special Revenue Fund - To account for street lighting activity and landscaping maintenance. Financing is provided by special assessments taxes against all parcels of real property within the City and landscape assessment district. Expenditures provide for street and palm tree lights citywide, maintenance of park buildings and equipment, and maintenance of all city parkland as designated.

Measure A Special Revenue Fund - To account for one-half cent sales tax collected in Riverside County and distributed to local agencies. Funds are restricted and can only be used for street maintenance and the construction of new streets.

Air Quality Control Special Revenue Fund - To account for resources designated by South Coast Air Quality Management District through the collection of motor vehicle registration fees in accordance with the California Assembly Bill 2766 (AB2766). These funds can be used for equipment, street sweeping and purchase of vehicles as related to the reduction of air pollution.

Art in Public Places Special Revenue Fund - To account for development fees paid in lieu of acquisition and installation of approved artworks in a development with expenditures restricted to acquisition, installation, maintenance and repair or artworks at approved sites.

Quimby Act Special Revenue Fund - To account for the accumulation of developer fees received under the provision of the Quimby Act for park development and improvements.

Drainage Assessment District Special Revenue Fund - To account for taxes assessed on property owners within the drainage assessment districts for the maintenance of the drainage systems.

County Service Area 152 (CSA-152) Special Revenue Fund - To account for funding received through the collection of property tax collected on parcels within the assessment district. Expenditures relate to the EPA requirements for storm water monitoring and the protection of the underground water for all cities in the County of Riverside.

Cabot's Museum Special Revenue Fund - To account for various fees and operational costs associated with a museum that was gifted to the City.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (Continued):

Supplemental Law Enforcement Service (SLESF) Special Revenue Fund - To account for funds received in connection with the Citizens Option for Public Safety Program (COPS), which supplements expenditures for "front line municipal police services."

Abandoned Vehicle Abatement Special Revenue Fund - To account for a portion of DMV registration fees that the City receives from the Riverside County Abandoned Vehicle Abatement Service Authority as reimbursement to the City for costs incurred for the administration, removal, and abatement of nuisance vehicles within city limits.

Community Development Block Grant (CDBG) Special Revenue Fund - To account for resources that are restricted for a wide variety of unique community development needs.

Capital Improvement Deposits Special Revenue Fund - To account for accumulated resources to be used to purchase the protection equipment and facilities, traffic signals, and parks. Financing is provided through a development fee on all new commercial and residential construction.

Department of Cannabis Control Special Revenue Fund - To account for State grant funds to help cannabis facilities fulfill the obligations to transition from State provisional cannabis permits to permanent cannabis permits.

CAPITAL PROJECTS FUNDS:

Assessment District 91-1 Capital Projects Fund - To account for improvements to the Assessment District 91-1, which are financed from bond proceeds. Debt service payments are paid from special assessed revenues.

City of Desert Hot Springs
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			
	Special Gas Tax	SB1 Road Maintenance and Rehabilitation	Municipal Lighting / Landscaping Assessment District	Measure A
ASSETS				
Cash and investments	\$ -	\$ 855,063	\$ 1,090,822	\$ 630,729
Accounts receivable	-	-	-	-
Interest receivable	-	2,100	1,314	1,170
Due from other governments	72,628	65,232	79,496	128,954
Total assets	<u>\$ 72,628</u>	<u>\$ 922,395</u>	<u>\$ 1,171,632</u>	<u>\$ 760,853</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 31,978	\$ 16,103	\$ 347,840	\$ 17,839
Due to other funds	-	-	143,975	-
Unearned revenue	-	-	-	-
Total liabilities	<u>31,978</u>	<u>16,103</u>	<u>491,815</u>	<u>17,839</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	59,833	-
Fund Balances:				
Restricted	40,650	906,292	619,984	743,014
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>40,650</u>	<u>906,292</u>	<u>619,984</u>	<u>743,014</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 72,628</u>	<u>\$ 922,395</u>	<u>\$ 1,171,632</u>	<u>\$ 760,853</u>

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			
	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
ASSETS				
Cash and investments	\$ 15,584	\$ 268,044	\$ 1,673,753	\$ 549,184
Accounts receivable	-	-	-	-
Interest receivable	-	537	2,800	1,087
Due from other governments	10,862	-	-	24,793
Total assets	<u>\$ 26,446</u>	<u>\$ 268,581</u>	<u>\$ 1,676,553</u>	<u>\$ 575,064</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,147	\$ -	\$ -	\$ 25,259
Due to other funds	17,805	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>25,952</u>	<u>-</u>	<u>-</u>	<u>25,259</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	494	-	1,676,553	549,805
Committed	-	268,581	-	-
Assigned	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>494</u>	<u>268,581</u>	<u>1,676,553</u>	<u>549,805</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,446</u>	<u>\$ 268,581</u>	<u>\$ 1,676,553</u>	<u>\$ 575,064</u>

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			
	County Service Area 152	Cabot's Museum	Supplemental Law Enforcement Service Fund	Abandoned Vehicle Abatement
ASSETS				
Cash and investments	\$ 1,248	\$ 74,440	\$ -	\$ 132,540
Accounts receivable	152,112	-	-	-
Interest receivable	-	-	25	-
Due from other governments	-	-	-	65,295
Total assets	<u>\$ 153,360</u>	<u>\$ 74,440</u>	<u>\$ 25</u>	<u>\$ 197,835</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 60,900	\$ 5,588	\$ -	\$ 183
Due to other funds	66,914	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>127,814</u>	<u>5,588</u>	<u>-</u>	<u>183</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>152,112</u>	<u>-</u>	<u>-</u>	<u>58,352</u>
Fund Balances:				
Restricted	-	-	25	139,300
Committed	-	68,852	-	-
Assigned	-	-	-	-
Unassigned (deficit)	<u>(126,566)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(126,566)</u>	<u>68,852</u>	<u>25</u>	<u>139,300</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 153,360</u>	<u>\$ 74,440</u>	<u>\$ 25</u>	<u>\$ 197,835</u>

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			Capital Projects
	Community Development Block Grant	Capital Improvement Deposits	Department of Cannabis Control	Assessment District 91-1
ASSETS				
Cash and investments	\$ 6,495	\$ 3,177,212	\$ 660,269	\$ 123,665
Accounts receivable	-	-	-	-
Interest receivable	-	5,596	1,147	215
Due from other governments	356,246	-	-	-
Total assets	<u>\$ 362,741</u>	<u>\$ 3,182,808</u>	<u>\$ 661,416</u>	<u>\$ 123,880</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 177,499	\$ 116,715	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenue	-	-	657,613	-
Total liabilities	<u>177,499</u>	<u>116,715</u>	<u>657,613</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>178,747</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	6,495	3,066,093	-	123,880
Committed	-	-	-	-
Assigned	-	-	3,803	-
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>6,495</u>	<u>3,066,093</u>	<u>3,803</u>	<u>123,880</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 362,741</u>	<u>\$ 3,182,808</u>	<u>\$ 661,416</u>	<u>\$ 123,880</u>

(Continued)

City of Desert Hot Springs
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Total Nonmajor Governmental Funds
<hr/>	
ASSETS	
Cash and investments	\$ 9,259,048
Accounts receivable	152,112
Interest receivable	15,991
Due from other governments	803,506
Total assets	<u><u>\$ 10,230,657</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 808,051
Due to other funds	228,694
Unearned revenue	657,613
Total liabilities	<u>1,694,358</u>
 Deferred Inflows of Resources:	
Unavailable revenue	<u>449,044</u>
 Fund Balances:	
Restricted	7,872,585
Committed	337,433
Assigned	3,803
Unassigned (deficit)	(126,566)
Total fund balances	<u>8,087,255</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 10,230,657</u></u>

(Concluded)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			
	Special Gas Tax	SB1 Road Maintenance and Rehabilitation	Municipal Lighting / Landscaping Assessment District	Measure A
REVENUES:				
Taxes	\$ -	\$ -	\$ 897,462	\$ -
Permits and fees	-	-	-	-
Intergovernmental	831,268	719,130	-	790,227
Investment earning	-	5,907	4,079	3,433
Total revenues	<u>831,268</u>	<u>725,037</u>	<u>901,541</u>	<u>793,660</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	608,641	680,825	2,359,030	282,475
Culture and leisure	-	-	-	-
Capital outlay	-	47,062	219,971	191,145
Total expenditures	<u>608,641</u>	<u>727,887</u>	<u>2,579,001</u>	<u>473,620</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>222,627</u>	<u>(2,850)</u>	<u>(1,677,460)</u>	<u>320,040</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	138,342	-	1,676,644	-
Transfers out	(161,084)	-	-	(161,084)
Total other financing sources (uses)	<u>(22,742)</u>	<u>-</u>	<u>1,676,644</u>	<u>(161,084)</u>
NET CHANGES IN FUND BALANCES	199,885	(2,850)	(816)	158,956
FUND BALANCES (DEFICIT):				
Beginning of year	(159,235)	909,142	620,800	584,058
End of year	<u>\$ 40,650</u>	<u>\$ 906,292</u>	<u>\$ 619,984</u>	<u>\$ 743,014</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			
	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
REVENUES:				
Taxes	\$ 42,993	\$ -	\$ -	\$ 243,267
Permits and fees	-	73,809	608,887	-
Intergovernmental	-	-	-	-
Investment earning	-	2,046	7,580	3,427
Total revenues	<u>42,993</u>	<u>75,855</u>	<u>616,467</u>	<u>246,694</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	39,637	-	-	291,919
Culture and leisure	-	183,265	-	-
Capital outlay	-	-	38,889	-
Total expenditures	<u>39,637</u>	<u>183,265</u>	<u>38,889</u>	<u>291,919</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,356</u>	<u>(107,410)</u>	<u>577,578</u>	<u>(45,225)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>3,356</u>	<u>(107,410)</u>	<u>577,578</u>	<u>(45,225)</u>
FUND BALANCES (DEFICIT):				
Beginning of year	(2,862)	375,991	1,098,975	595,030
End of year	<u>\$ 494</u>	<u>\$ 268,581</u>	<u>\$ 1,676,553</u>	<u>\$ 549,805</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			
	County Service Area 152	Cabot's Museum	Supplemental Law Enforcement Service Fund	Abandoned Vehicle Abatement
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	-	-	-
Intergovernmental	127,426	-	165,270	56,522
Investment earning	-	-	52	-
Total revenues	<u>127,426</u>	<u>-</u>	<u>165,322</u>	<u>56,522</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	31,955
Public works	152,113	-	-	-
Culture and leisure	-	127,337	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>152,113</u>	<u>127,337</u>	<u>-</u>	<u>31,955</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(24,687)</u>	<u>(127,337)</u>	<u>165,322</u>	<u>24,567</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	137,000	-	-
Transfers out	-	-	(165,316)	-
Total other financing sources (uses)	<u>-</u>	<u>137,000</u>	<u>(165,316)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(24,687)</u>	<u>9,663</u>	<u>6</u>	<u>24,567</u>
FUND BALANCES (DEFICIT):				
Beginning of year	(101,879)	59,189	19	114,733
End of year	<u>\$ (126,566)</u>	<u>\$ 68,852</u>	<u>\$ 25</u>	<u>\$ 139,300</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			Capital Projects
	Community Development Block Grant	Capital Improvement Deposits	Department of Cannabis Control	Assessment District 91-1
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	1,534,231	-	-
Intergovernmental	177,499	-	-	-
Investment earning	-	15,573	3,559	666
Total revenues	<u>177,499</u>	<u>1,549,804</u>	<u>3,559</u>	<u>666</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay	177,499	495,740	-	-
Total expenditures	<u>177,499</u>	<u>495,740</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,054,064</u>	<u>3,559</u>	<u>666</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(100,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	954,064	3,559	666
FUND BALANCES (DEFICIT):				
Beginning of year	6,495	2,112,029	244	123,214
End of year	<u>\$ 6,495</u>	<u>\$ 3,066,093</u>	<u>\$ 3,803</u>	<u>\$ 123,880</u>

(Continued)

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Total Nonmajor Governmental Funds
REVENUES:	
Taxes	\$ 1,183,722
Permits and fees	2,216,927
Intergovernmental	2,867,342
Investment earning	46,322
Total revenues	<u>6,314,313</u>
EXPENDITURES:	
Current:	
Public safety	31,955
Public works	4,414,640
Culture and leisure	310,602
Capital outlay	1,170,306
Total expenditures	<u>5,927,503</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>386,810</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	1,951,986
Transfers out	(587,484)
Total other financing sources (uses)	<u>1,364,502</u>
NET CHANGES IN FUND BALANCES	1,751,312
FUND BALANCES (DEFICIT):	
Beginning of year	6,335,943
End of year	<u><u>\$ 8,087,255</u></u>

(Concluded)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Gas Tax Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 753,571	\$ 753,571	\$ 831,268	\$ 77,697
Total revenues	<u>753,571</u>	<u>753,571</u>	<u>831,268</u>	<u>77,697</u>
EXPENDITURES:				
Current:				
Public works	583,185	639,702	608,641	31,061
Total expenditures	<u>583,185</u>	<u>639,702</u>	<u>608,641</u>	<u>31,061</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>170,386</u>	<u>113,869</u>	<u>222,627</u>	<u>108,758</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	77,001	138,342	61,341
Transfers out	(161,084)	(161,084)	(161,084)	-
Total other financing (uses)	<u>(161,084)</u>	<u>(84,083)</u>	<u>(22,742)</u>	<u>61,341</u>
NET CHANGE IN FUND BALANCE	<u>\$ 9,302</u>	<u>\$ 29,786</u>	199,885	<u>\$ 170,099</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(159,235)	
End of year			<u>\$ 40,650</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
SB1 Road Maintenance and Rehabilitation Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 571,702	\$ 571,702	\$ 719,130	\$ 147,428
Interest	1,000	1,000	5,907	4,907
Total revenues	<u>572,702</u>	<u>572,702</u>	<u>725,037</u>	<u>152,335</u>
EXPENDITURES:				
Current:				
Public works	-	684,799	680,825	3,974
Capital outlay	89,139	307,534	47,062	260,472
Total expenditures	<u>89,139</u>	<u>992,333</u>	<u>727,887</u>	<u>264,446</u>
NET CHANGE IN FUND BALANCE	<u>\$ 483,563</u>	<u>\$ (419,631)</u>	(2,850)	<u>\$ 416,781</u>
FUND BALANCE:				
Beginning of year			909,142	
End of year			<u>\$ 906,292</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Municipal Lighting / Landscaping Assessment District Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 894,110	\$ 894,110	\$ 897,462	\$ 3,352
Interest	2,800	2,800	4,079	1,279
Total revenues	<u>896,910</u>	<u>896,910</u>	<u>901,541</u>	<u>4,631</u>
EXPENDITURES:				
Current:				
Public works	1,961,410	2,837,786	2,359,030	478,756
Capital outlay	-	124,172	219,971	(95,799)
Total expenditures	<u>1,961,410</u>	<u>2,961,958</u>	<u>2,579,001</u>	<u>382,957</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,064,500)</u>	<u>(2,065,048)</u>	<u>(1,677,460)</u>	<u>387,588</u>
OTHER FINANCING SOURCES:				
Transfers in	735,596	1,676,644	1,676,644	-
Total other financing sources	<u>735,596</u>	<u>1,676,644</u>	<u>1,676,644</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (328,904)</u>	<u>\$ (388,404)</u>	<u>(816)</u>	<u>\$ 387,588</u>
FUND BALANCE:				
Beginning of year			<u>620,800</u>	
End of year			<u>\$ 619,984</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Measure A Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 515,000	\$ 515,000	\$ 790,227	\$ 275,227
Interest	400	400	3,433	3,033
Total revenues	<u>515,400</u>	<u>515,400</u>	<u>793,660</u>	<u>278,260</u>
EXPENDITURES:				
Current:				
Public works	-	282,476	282,475	1
Capital outlay	98,200	448,791	191,145	257,646
Total expenditures	<u>98,200</u>	<u>731,267</u>	<u>473,620</u>	<u>257,647</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>417,200</u>	<u>(215,867)</u>	<u>320,040</u>	<u>535,907</u>
OTHER FINANCING (USES):				
Transfers out	(161,084)	(161,084)	(161,084)	-
Total other financing (uses)	<u>(161,084)</u>	<u>(161,084)</u>	<u>(161,084)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 256,116</u>	<u>\$ (376,951)</u>	<u>158,956</u>	<u>\$ 535,907</u>
FUND BALANCE:				
Beginning of year			<u>584,058</u>	
End of year			<u>\$ 743,014</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Air Quality Control Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 38,900	\$ 38,900	\$ 42,993	\$ 4,093
Interest	100	100	-	(100)
Total revenues	<u>39,000</u>	<u>39,000</u>	<u>42,993</u>	<u>3,993</u>
EXPENDITURES:				
Current:				
Public works	<u>39,000</u>	<u>39,000</u>	<u>39,637</u>	<u>(637)</u>
Total expenditures	<u>39,000</u>	<u>39,000</u>	<u>39,637</u>	<u>(637)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	3,356	<u>\$ 3,356</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(2,862)	
End of year			<u>\$ 494</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Art in Public Places Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Permits and fees	\$ 50,000	\$ 50,000	\$ 73,809	\$ 23,809
Interest	100	100	2,046	1,946
Total revenues	<u>50,100</u>	<u>50,100</u>	<u>75,855</u>	<u>25,755</u>
EXPENDITURES:				
Current:				
Culture and leisure	50,000	200,000	183,265	16,735
Total expenditures	<u>50,000</u>	<u>200,000</u>	<u>183,265</u>	<u>16,735</u>
NET CHANGE IN FUND BALANCE	<u>\$ 100</u>	<u>\$ (149,900)</u>	(107,410)	<u>\$ 42,490</u>
FUND BALANCE:				
Beginning of year			375,991	
End of year			<u>\$ 268,581</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Quimby Act Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Permits and fees	\$ 100,000	\$ 600,000	\$ 608,887	\$ 8,887
Interest	500	500	7,580	7,080
Total revenues	<u>100,500</u>	<u>600,500</u>	<u>616,467</u>	<u>15,967</u>
EXPENDITURES:				
Capital outlay	<u>81,000</u>	<u>588,210</u>	<u>38,889</u>	<u>549,321</u>
Total expenditures	<u>81,000</u>	<u>588,210</u>	<u>38,889</u>	<u>549,321</u>
NET CHANGE IN FUND BALANCE	<u>\$ 19,500</u>	<u>\$ 12,290</u>	577,578	<u>\$ 565,288</u>
FUND BALANCE:				
Beginning of year			<u>1,098,975</u>	
End of year			<u>\$ 1,676,553</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Drainage Assessment District Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 212,184	\$ 212,184	\$ 243,267	\$ 31,083
Interest	1,900	1,900	3,427	1,527
Total revenues	<u>214,084</u>	<u>214,084</u>	<u>246,694</u>	<u>32,610</u>
EXPENDITURES:				
Current:				
Public works	568,417	568,417	291,919	276,498
Total expenditures	<u>568,417</u>	<u>568,417</u>	<u>291,919</u>	<u>276,498</u>
NET CHANGE IN FUND BALANCE	<u>\$ (354,333)</u>	<u>\$ (354,333)</u>	(45,225)	<u>\$ 309,108</u>
FUND BALANCE:				
Beginning of year			595,030	
End of year			<u>\$ 549,805</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
County Service Area 152 (CSA-152) Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 144,690	\$ 144,690	\$ 127,426	\$ (17,264)
Interest	100	100	-	(100)
Total revenues	<u>144,790</u>	<u>144,790</u>	<u>127,426</u>	<u>(17,364)</u>
EXPENDITURES:				
Current:				
Public works	144,790	144,790	152,113	(7,323)
Total expenditures	<u>144,790</u>	<u>144,790</u>	<u>152,113</u>	<u>(7,323)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(24,687)	<u>\$ (24,687)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(101,879)	
End of year			<u>\$ (126,566)</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Cabot's Museum Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES:				
Current:				
Culture and leisure	\$ 136,500	\$ 136,683	\$ 127,337	\$ 9,346
Total expenditures	<u>136,500</u>	<u>136,683</u>	<u>127,337</u>	<u>9,346</u>
OTHER FINANCING SOURCES:				
Transfers in	137,000	137,183	137,000	(183)
Total other financing sources	<u>137,000</u>	<u>137,183</u>	<u>137,000</u>	<u>(183)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 500</u>	<u>\$ 500</u>	9,663	<u>\$ 9,163</u>
FUND BALANCE:				
Beginning of year			59,189	
End of year			<u>\$ 68,852</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Supplemental Law Enforcement Service (SLESF) Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 165,270	\$ 15,270
Interest	200	200	52	(148)
Total revenues	<u>150,200</u>	<u>150,200</u>	<u>165,322</u>	<u>15,122</u>
OTHER FINANCING (USES):				
Transfers out	<u>(150,200)</u>	<u>(150,200)</u>	<u>(165,316)</u>	<u>(15,116)</u>
Total other financing (uses)	<u>(150,200)</u>	<u>(150,200)</u>	<u>(165,316)</u>	<u>(15,116)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	6	<u>\$ 6</u>
FUND BALANCE:				
Beginning of year			<u>19</u>	
End of year			<u>\$ 25</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Abandoned Vehicle Abatement Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 56,522	\$ 16,522
Interest	100	100	-	(100)
Total revenues	<u>40,100</u>	<u>40,100</u>	<u>56,522</u>	<u>16,422</u>
EXPENDITURES:				
Current:				
Public safety	40,000	40,000	31,955	8,045
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>31,955</u>	<u>8,045</u>
NET CHANGE IN FUND BALANCE	<u>\$ 100</u>	<u>\$ 100</u>	24,567	<u>\$ 24,467</u>
FUND BALANCE:				
Beginning of year			114,733	
End of year			<u>\$ 139,300</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 291,000	\$ 837,935	\$ 177,499	\$ (660,436)
Total revenues	<u>291,000</u>	<u>837,935</u>	<u>177,499</u>	<u>(660,436)</u>
EXPENDITURES:				
Capital outlay	291,000	837,935	177,499	660,436
Total expenditures	<u>291,000</u>	<u>837,935</u>	<u>177,499</u>	<u>660,436</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			6,495	
End of year			<u>\$ 6,495</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Capital Improvement Deposits Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Permits and fees	\$ 545,000	\$ 942,518	\$ 1,534,231	\$ 591,713
Interest	3,050	3,050	15,573	12,523
Total revenues	<u>548,050</u>	<u>945,568</u>	<u>1,549,804</u>	<u>604,236</u>
EXPENDITURES:				
Capital outlay	<u>180,000</u>	<u>1,030,961</u>	<u>495,740</u>	<u>535,221</u>
Total expenditures	<u>180,000</u>	<u>1,030,961</u>	<u>495,740</u>	<u>535,221</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>368,050</u>	<u>(85,393)</u>	<u>1,054,064</u>	<u>1,139,457</u>
OTHER FINANCING (USES):				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 268,050</u>	<u>\$ (185,393)</u>	<u>954,064</u>	<u>\$ 1,139,457</u>
FUND BALANCE:				
Beginning of year			<u>2,112,029</u>	
End of year			<u>\$ 3,066,093</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Department of Cannabis Control Special Revenue Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	-	-	3,559	3,559
Total revenues	-	-	3,559	3,559
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	3,559	<u>\$ 3,559</u>
FUND BALANCE:				
Beginning of year			244	
End of year			<u>\$ 3,803</u>	

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
Assessment District 91-1 Capital Projects Fund
For the Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Interest	\$ 200	\$ 200	\$ 666	\$ 466
Total revenues	<u>200</u>	<u>200</u>	<u>666</u>	<u>466</u>
NET CHANGE IN FUND BALANCE	<u>\$ 200</u>	<u>\$ 200</u>	666	<u>\$ 466</u>
FUND BALANCE:				
Beginning of year			<u>123,214</u>	
End of year			<u>\$ 123,880</u>	

INTERNAL SERVICE FUNDS

The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

Risk Management Fund - To account for payment of the City's different types of insurance for general liability, workers' compensation, property, automobile, and earthquake coverage.

Equipment Replacement Fund - To account for equipment purchases.

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City of Desert Hot Springs
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Risk Management	Equipment Replacement	Total
ASSETS			
Current assets:			
Cash and investments	\$ 420,090	\$ 59,022	\$ 479,112
Accounts receivable	197	-	197
Total current assets	420,287	59,022	479,309
Noncurrent assets:			
Capital assets, being depreciated, net	-	497,299	497,299
Intangible assets, being amortized, net	-	115,334	115,334
Total capital assets	-	612,633	612,633
Total assets	420,287	671,655	1,091,942
LIABILITIES			
Current liabilities:			
Accounts payable	50,405	18,357	68,762
Claims payable - due within one year	206,075	-	206,075
Financing purchase payable - due within one year	-	179,107	179,107
Lease liabilities - due within one year	-	19,757	19,757
Total current liabilities	256,480	217,221	473,701
Noncurrent liabilities:			
Claims payable - due in more than one year	163,807	-	163,807
Financing purchase payable - due in more than one year	-	215,225	215,225
Lease liabilities - due in more than one year	-	97,165	97,165
Total noncurrent liabilities	163,807	312,390	476,197
Total liabilities	420,287	529,611	949,898
NET POSITION			
Net investment in capital assets	-	101,379	101,379
Unrestricted	-	40,665	40,665
Total net position	\$ -	\$ 142,044	\$ 142,044

City of Desert Hot Springs
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	Risk Management	Equipment Replacement	Total
OPERATING REVENUES:			
Charges for services	\$ 167,456	\$ 250,348	\$ 417,804
Insurance recovery	197	-	197
Total operating revenues	<u>167,653</u>	<u>250,348</u>	<u>418,001</u>
OPERATING EXPENSES:			
Insurance and claims	148,540	-	148,540
Depreciation and amortization	-	197,168	197,168
Other expense	-	43,809	43,809
Total operating expenses	<u>148,540</u>	<u>240,977</u>	<u>389,517</u>
OPERATING INCOME (LOSS)	<u>19,113</u>	<u>9,371</u>	<u>28,484</u>
NONOPERATING EXPENSES:			
Interest expense	-	(17,720)	(17,720)
Gain on sale of property	-	5,155	5,155
Total nonoperating expenses	<u>-</u>	<u>(12,565)</u>	<u>(12,565)</u>
Changes in net position	<u>19,113</u>	<u>(3,194)</u>	<u>15,919</u>
NET POSITION:			
Beginning of year	(19,113)	145,238	126,125
End of year	<u>\$ -</u>	<u>\$ 142,044</u>	<u>\$ 142,044</u>

City of Desert Hot Springs
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Risk Management	Equipment Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from use departments	\$ 167,456	\$ 250,348	\$ 417,804
Payments for vendor for goods and services	-	(25,452)	(25,452)
Payments for insurance claims	(313,112)	-	(313,112)
Net cash provided by (used in) operating activities	(145,656)	224,896	79,240
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on finance purchase and lease payable	-	(181,305)	(181,305)
Proceeds from sale of assets	-	5,155	5,155
Interest paid	-	(17,720)	(17,720)
Net cash (used in) capital and related financing activities	-	(193,870)	(193,870)
Net increase in cash and cash equivalents	(145,656)	31,026	(114,630)
CASH AND CASH EQUIVALENTS:			
Beginning of year	565,746	27,996	593,742
End of year	<u>\$ 420,090</u>	<u>\$ 59,022</u>	<u>\$ 479,112</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating Income (loss)	\$ 19,113	\$ 9,371	\$ 28,484
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	197,168	197,168
(Increase) decrease in accounts receivable	(197)	-	(197)
Increase (decrease) in accounts payable	46,926	18,357	65,283
Increase (decrease) in claims payable	(211,498)	-	(211,498)
Total adjustments	(164,769)	215,525	50,756
Net cash provided by (used in) operating activities	<u>\$ (145,656)</u>	<u>\$ 224,896</u>	<u>\$ 79,240</u>
NONCASH ITEM FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Issuance of lease	\$ -	\$ 123,938	\$ 123,938
Assets leased	<u>\$ -</u>	<u>\$ (123,938)</u>	<u>\$ (123,938)</u>

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CUSTODIAL FUNDS

Community Services Fund - this fund was established to account for the Transportation Uniform Mitigation Fee & Multiple Species Habitat Conservation Plan pass-through deposits for permits. The City holding funds for permits per developer agreements and for cash payments in lieu of bonds for permit work and the deposits are returned to the developers upon issuance of the permits.

Community Facilities District Skyborne Fund - this fund was established to account for payments of principal and interest for the Community Facilities District municipal bonds related to the Skyborne area of the City.

Community Facilities District Fund - these funds are established to account for special tax funding that allows for the financing of the installation, operation and maintenance of public improvements. There are a total of 31 zones.

Gang Task Force Fund - this fund was established to account for all revenues and expenses received from various agencies supporting the Gang Task Force. The City is only working with the task force to manage their funding for a period of time. The asset are accumulated for the benefit of he Gang Task Force and the Gang Task Force is not part of the City.

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City of Desert Hot Springs
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	Community Services Fund	Community Facilities District Skyborne Fund	Community Facilities District Fund	Gang Task Force Fund	Total
ASSETS					
Cash and investments	\$ 149,156	\$ 587,892	\$ 2,038,346	\$ 79,012	\$ 2,854,406
Cash with fiscal agent	-	112,551	-	-	112,551
Accounts receivable	-	2,442	14,940	-	17,382
Interest receivable	-	952	3,363	139	4,454
Total assets	149,156	703,837	2,056,649	79,151	2,988,793
LIABILITIES					
Accounts payable	49,106	1,636	3,370	-	54,112
Deposits payable	97,759	112,892	18,873	-	229,524
Total liabilities	146,865	114,528	22,243	-	283,636
NET POSITION					
Restricted for:					
Individuals, organization and other governments	\$ 2,291	\$ 589,309	\$ 2,034,406	\$ 79,151	\$ 2,705,157

City of Desert Hot Springs
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2023

	Community Services Fund	Community Facilities District Skyborne Fund	Community Facilities District Fund	Gang Task Force Fund	Total
ADDITIONS:					
Assessment revenue collected	\$ -	\$ 268,668	\$ 540,963	\$ -	\$ 809,631
Use of money and property	17,740	-	9,216	460	27,416
Total additions	17,740	268,668	550,179	460	837,047
DEDUCTIONS:					
Interest expenses	-	61,331	-	-	61,331
Payment of special assessment district expenses	-	112,780	20,819	-	133,599
Payment of other organization expense	-	-	-	13,663	13,663
Total deductions	-	174,111	20,819	13,663	208,593
Change in net position	17,740	94,557	529,360	(13,203)	628,454
NET POSITION:					
Beginning of year	(15,449)	494,752	1,505,046	92,354	2,076,703
End of year	\$ 2,291	\$ 589,309	\$ 2,034,406	\$ 79,151	\$ 2,705,157