

# **City of Desert Hot Springs**

Desert Hot Springs, California

## **Independent Auditors' Reports and Basic Financial Statements**

*For the Year Ended June 30, 2021*





**City of Desert Hot Springs**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Table of Contents**

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	<u>Page</u>
<b>Independent Auditors’ Reports on Financial Statements</b> .....	1
<b>Management’s Discussion and Analysis (Required Supplementary Information) (Unaudited)</b> .....	5
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities .....	20
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet .....	24
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position .....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities .....	30
Proprietary Fund Financial Statements:	
Statement of Net Position .....	33
Statement of Revenues, Expenses, and Changes in Net Position .....	34
Statement of Cash Flows .....	35
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position .....	39
Statement of Changes in Fiduciary Net Position .....	40
Notes to the Basic Financial Statements .....	45
<b>Required Supplementary Information (Unaudited):</b>	
Budgetary Comparison Schedules:	
General Fund .....	81
Public Safety Special Revenue Fund .....	82
Housing Authority Special Revenue Fund .....	83
Notes to the Budgetary Comparison Schedules .....	85
Schedule of the City’s Proportionate Share of the Net Pension Liabilities and Related Ratios .....	86
Schedule of the City’s Contributions – Pensions .....	88

**City of Desert Hot Springs**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Table of Contents (Continued)**

---

	<u>Page</u>
<b>Supplementary Information:</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
City Debt Service Fund .....	93
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	102
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
<i>Nonmajor Special Revenue Funds:</i>	
Special Gas Tax Special Revenue Fund .....	107
SBI Road Maintenance and Rehabilitation Special Revenue Fund.....	108
Municipal Lighting / Landscaping Assessment District Special Revenue Fund .....	109
Measure A Special Revenue Fund.....	110
Air Quality Control Special Revenue Fund.....	111
Art in Public Places Special Revenue Fund.....	112
Quimby Act Special Revenue Fund.....	113
Drainage Assessment District Special Revenue Fund .....	114
County Service Area 152 (CSA-152) Special Revenue Fund .....	115
Cabot's Museum Special Revenue Fund.....	116
Supplemental Law Enforcement Service (SLESF) Special Revenue Fund.....	117
Abandoned Vehicle Abatement Special Revenue Fund .....	118
Community Development Block Grant Special Revenue Fund .....	119
Capital Improvement Deposits Special Revenue Fund .....	120
Assessment District 91-1 Capital Projects Fund.....	121
Capital Improvement Capital Projects Fund.....	122
Internal Service Funds:	
Combining Statement of Net Position .....	125
Combining Statement of Revenues, Expenses, and Changes in Net Position .....	126
Combining Statement of Cash Flows .....	127
Custodial Funds:	
Combining Statement of Fiduciary Net Position.....	131
Combining Statement of Changes in Fiduciary Net Position .....	132
<b>Other Report:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	133



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

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

***Other Matters***

*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 on pages 5 through 14 and pages 81 through 89 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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.

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

To the Honorable Mayor and Members of the City Council  
of the City of Desert Hot Springs  
Desert Hot Springs, California  
Page 3

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2021 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.

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

Santa Ana, California  
November 24, 2021

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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, 2021.

### **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, 2021. 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 2020-2021 Highlights**

- The City's total net position was \$57,331,850 as of June 30, 2021;
- Consolidated General Fund (including Public Safety Fund) Revenue totaled \$25,627,371;
- Consolidated General Fund Expenses totaled \$22,371,347;
- The fund balance in the Consolidated General Fund increased by \$1,293,842 for a total of \$13,119,546;
- The City's Consolidated General Fund has a fund balance that increases to over \$13 million;
- Due to increases in Transient Occupancy Tax, Sales Tax, Utility Users Tax, and Cannabis Tax revenues, the City was able to reinstate the 7 vacant positions that were frozen in order to reduce expenditures during FY19-20;
- The City has an Emergency Reserve in place for economic contingency that is set at 17% 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 15% is for natural or fiscal emergencies and 5% is for future operations and capital use;
- The City's Tax revenue received in 2020-2021 (not including cannabis related taxes) was up 19% over the prior fiscal year due to significant increases in Transient Occupancy Tax and Sales Tax both of which experienced large increases once restrictions to mitigate the spread of COVID-19 began to ease;
- Marijuana related taxes increased by \$537,930 from FY 2019-2020 to FY 2020-2021 which is an increase of 11% over the prior year;
- There were several new housing developments constructed in the City during FY20-21;
  - Agua Dulce – 73 new homes on a 30.24 acre parcel for a total of 126 homes in the development;
  - Skyborne – consists of 604 acres broken up into 10 villages;
    - Gallery Homes built 29 new homes;
    - Lennar Homes built 79 new homes;
  - Sunset Springs – 11 new homes on 19.6 acre parcel for a total of 63 homes in the development;
  - Rolling Hills – Watermarke Homes has completed 17 new homes;
  - Sunset Springs – Watermarke Homes has completed 11 new homes;

- There are also several residential developments in the planning stages:
  - Silver Rock Development – 41 new homes on a 20.36 acre parcel and ready for first inspections
  - Ovation – 402 condominiums on 25 acres
- The City also have several new businesses have opened or are in various stages of planning and construction including;
  - Cannabis cultivation facilities;
  - 2 new restaurants and 2 new markets;
  - A new container park;
- The City completed Dispatch Feasibility Study and started the process for bringing dispatch services in-house;
- The Police Department fleet, safety equipment, and technology were updated during the fiscal year;
- The City updated the Animal Control Facility including safety equipment;
- The Code Compliance staff was expanded and the City updated the division’s equipment and technology;
- The City established a new Recreation Department and started offering improved programs to the residents;
- The City took over the After-School and Childcare programs at its Health & Wellness Center;

### **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 Fund, Housing Authority 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 18 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.

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 (20), Measure A Fund, Air Quality Control Fund, Art in Public Places Fund, Quimby Act Fund, Drainage Assessment Districts Funds (17), 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), and the Capital Improvements Deposits Fund (8).

**Capital Projects Funds:** Capital Improvements Projects Fund, Assessment District 91-1 Fund, Assessment District 92-1 Fund and Assessment District 93-2 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 these 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 125-127 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 45-77 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 85-89 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 93-122 of this report.

### **Government-wide Financial Analysis**

The City's financial position and outlook continued to improve during the years prior to the COVID-19 pandemic. During the State-wide shutdown to mitigate the spread of COVID-19, the City's Transient Occupancy Tax and Sales Tax revenues decreased significantly, however, those revenue losses were offset by revenue increases in cannabis taxes and community development revenues. The combination of strategic planning with structural expenses and an improvement in economic development activity and increases in cannabis tax revenues helped to keep the City's cash position stable during the uncertain times of the pandemic.

In Fiscal Year 2019-2020, the City received cannabis taxes totaling \$4,686,959. In Fiscal Year 2020-2021 the City received marijuana taxes totaling \$5,224,889, which is an increase of 11% from the prior year. Within the upcoming years, staff expects such receipts to increase, respectively. The City is setting aside 25% cannabis tax revenues into an emergency reserve for economic uncertainties. The City will continue to set aside 25% of the cannabis tax revenues until the reserve balance reaches 17% of the Consolidated General Fund's annual appropriation. As of June 30, 2021, the balance of the emergency reserve was \$3,767,923.

Other major revenue changes occurred during fiscal year 2020-2021 in the following areas;

- Property Taxes increased from \$1,016,736 in FY 2019-2020 to \$1,532,922 in FY 2020-2021 approximately a 51% 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 house, cannabis facilities, and other economic development.
- Transient Occupancy Taxes increased from \$1,855,521 in FY 2019-2020 to \$2,490,646 in FY 2020-2021 approximately a 34% increase from the prior year. This increase is due to when the State-wide shutdown to slow the spread of COVID-19 began to be eased, travelers preferred destinations that were an easy drive using private automobiles and staying in lodgings that could easily provide the ability to socially distance themselves from others, such as short-term vacation rentals. This is why the tax revenue from short-term vacation rentals increased to 28% of the total tax revenue compared to 15% of the revenue during FY2019-2020.
- Sales Tax increased from \$4,069,069 in FY 2019-2020 to \$4,828,708 in FY 2020-2021, approximately a 19% increase over the prior year. The increase is due partially to the increase in sales activity from the increase in tourism and also due to the purchase an installation of several electricity producing windmills in the western part of the City.
- Franchise Fees increased from \$1,768,939 in FY 2019-2020 to \$2,037,301 in FY 2020-2021 approximately a 15% increase over the prior year.
- Utility User Taxes increased from \$2,115,677 in FY 2019-2020 to \$2,365,052 in FY 2020-2021 approximately a 12% 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.

Although the City’s finances have continued to improve, even through the COVID-19 pandemic, there are still several unfunded needs for the community and the organization. In recent years, the City has been able to replace some equipment, increase service levels with the use of technology, complete large capital improvement projects, and set funding aside for future capital improvement projects. However, more investment in equipment, maintenance and capital improvement is still an issue. With the improvement of finances, City staff has determined that the City is in the position of being able to issue bonds during FY2021-2022 to fund the construction of a new fire station, significant improvements to Fire Station #37, improvements to the Police Department building and construct an annex building for the Police Department to house the Investigative Services unit of the department. The City recognizes that as more revenue becomes available the City will allocate funds towards maintenance, capital projects and services levels and continues to work on grant opportunities to fund these items.

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 \$57,331,850 as of June 30, 2021, in the Governmental activities and Business-type activities.

The largest portion of the City's net position, \$52,003,583, 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, 2021**

	Governmental activities		Business-Type activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 34,076,256	\$ 31,490,117	\$ -	\$ -	\$ 34,076,256	\$ 31,490,117
Capital assets	68,188,286	69,933,702	-	-	68,188,286	69,933,702
<b>Total assets</b>	<b>\$ 102,264,542</b>	<b>\$ 101,423,819</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 102,264,542</b>	<b>\$ 101,423,819</b>
Deferred outflow of resources	\$ 4,118,241	\$ 3,776,240	\$ -	\$ -	\$ 4,118,241	\$ 3,776,240
<b>Total deferred outflow of resources</b>	<b>\$ 4,118,241</b>	<b>\$ 3,776,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,118,241</b>	<b>\$ 3,776,240</b>
Current liabilities	\$ 6,318,491	\$ 8,652,238	\$ -	\$ -	\$ 6,318,491	\$ 8,652,238
Long-term liabilities	40,850,907	40,507,477	-	-	40,850,907	40,507,477
<b>Total liabilities</b>	<b>\$ 47,169,398</b>	<b>\$ 49,159,715</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 47,169,398</b>	<b>\$ 49,159,715</b>
Deferred inflow of resources	\$ 491,152	\$ 1,004,268	\$ -	\$ -	\$ 491,152	\$ 1,004,268
<b>Total deferred inflow of resources</b>	<b>\$ 491,152</b>	<b>\$ 1,004,268</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 491,152</b>	<b>\$ 1,004,268</b>
Net position						
Net investment in capital assets	\$ 52,003,583	\$ 54,530,992	\$ -	\$ -	\$ 52,003,583	\$ 54,530,992
Restricted	16,316,652	14,071,769	-	-	16,316,652	14,071,769
Unrestricted	(10,988,385)	(13,566,685)	-	-	(10,988,385)	(13,566,685)
<b>Total net position</b>	<b>\$ 57,331,850</b>	<b>\$ 55,036,076</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,331,850</b>	<b>\$ 55,036,076</b>

An additional portion of the City’s net position, \$16,316,652, represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of the net position is negative \$10,988,385.

**Table 2**  
**City of Desert Hot Springs**  
**Changes in Net Position**  
**June 30, 2021**

	Governmental activities		Business-Type activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,594,449	\$ 4,506,545	\$ -	\$ 52,000	\$ 4,594,449	\$ 4,558,545
Operating grants and contributions	8,154,403	8,023,591	-	-	8,154,403	8,023,591
Capital grants and contributions	4,510,888	4,363,207	-	5,570,406	4,510,888	9,933,613
General revenues						
Property taxes	1,532,922	1,016,736	-	-	1,532,922	1,016,736
Sales taxes	4,828,708	4,069,069	-	-	4,828,708	4,069,069
Transient occupancy taxes	2,490,646	1,855,521	-	-	2,490,646	1,855,521
Other taxes	7,283,944	6,038,132	-	-	7,283,944	6,038,132
Investment income	56,140	441,897	-	3,715	56,140	445,612
Miscellaneous	377,918	930,780	-	-	377,918	930,780
Transfers	-	12,247,992	-	(12,247,992)	-	-
<b>Total revenues</b>	<b>\$ 33,830,018</b>	<b>\$ 43,493,470</b>	<b>\$ -</b>	<b>\$ (6,621,871)</b>	<b>\$ 33,830,018</b>	<b>\$ 36,871,599</b>
<b>Program expenses</b>						
General government	\$ 9,371,053	\$ 8,605,994	\$ -	\$ -	\$ 9,371,053	\$ 8,605,994
Public safety	13,259,926	13,004,444	-	-	13,259,926	13,004,444
Public works	3,709,489	2,980,027	-	-	3,709,489	2,980,027
Economic development	1,988,944	2,209,565	-	-	1,988,944	2,209,565
Culture and leisure	1,903,404	1,159,686	-	-	1,903,404	1,159,686
Interest and fiscal charges	1,301,428	1,155,101	-	-	1,301,428	1,155,101
Health and wellness foundation	-	-	-	679,333	-	679,333
<b>Total expenses</b>	<b>\$ 31,534,244</b>	<b>\$ 29,114,817</b>	<b>\$ -</b>	<b>\$ 679,333</b>	<b>\$ 31,534,244</b>	<b>\$ 29,794,150</b>
Change in net position	2,295,774	14,378,653	-	(7,301,204)	2,295,774	7,077,449
Net position – beginning of year	55,036,076	40,657,423	-	7,301,204	55,036,076	47,958,627
<b>Net position – end of year</b>	<b>\$ 57,331,850</b>	<b>\$ 55,036,076</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,331,850</b>	<b>\$ 55,036,076</b>

The City’s governmental activities total revenues were over \$33 million, while the total cost of all programs and services were approximately \$31 million. The decrease in total revenues is due to a transfer of assets of over \$12 million when the City dissolved the Health & Wellness Foundation (business-type activities). The remaining assets of the Foundation, including the Health & Wellness Center, was transferred to the City. Operating grants and contributions were the largest revenue source at \$8,154,403 (24% of the total revenue of the governmental activities). Other taxes were the second largest resource at \$7,283,944 (22% of the total revenue of the governmental activities). The majority of these revenues consist of cannabis taxes. Sales taxes were the third largest revenue source at \$4,828,708 (14% of the total revenue of the governmental activities).

### Governmental Activities

Public Safety expenses of \$13,259,926 comprise the largest component of government activities (42% of the total cost of governmental activities).

General Government expenses of \$9,371,053 (includes City Council, City Manager, City Attorney, City Clerk, Finance, Information Systems and Non-Departmental) were the second largest governmental activities 30% of the total cost of governmental activities).

Public Works expenses of \$3,709,489 were the third largest governmental activities (12% of the total cost of governmental activities).

Economic Development expenses of \$1,988,944 were the fourth largest governmental activities (6% 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 2020-2021, the fund balance assigned to operations was \$2,532,125 while total fund balance was \$12,950,056.

The General Fund balance increased by \$1,248,709 in 2020-2021. Key Factors were:

- The City has implemented a number of effective budget practices such as a structural balanced budget, multi-year forecasting, use of one-time resources on one-time expenses, established a reserve, employee retention and recruitment, collecting appropriate fees for services and being more aggressive in obtaining grants.
- Marijuana revenues were budgeted very conservatively as they are relatively new, and the City is still building the historical data for future budget years.
- When budgeting expenses the City uses inflators annually on all operating costs.
- Budget adjustments are done on an as-needed basis during the year.
- Transient Occupancy Taxes and Sales Taxes were budgeted very conservatively due to concerns with the COVID-19 pandemic. Once State shutdown restrictions eased, there was greater travel and sales activity than what was anticipated.
- The City has seen increased development over the past several years, even during the pandemic. With an increase in the number of houses, businesses and commercial facilities, there has been an increase in utility usage. The increase in utility usage increased the City's Franchise Fees revenues which are based on the revenue collected by the utility companies.

### **Public Safety Fund**

The Public Safety Fund accounts for the community safety activities of the City including Police, 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 2020-2021 fiscal year by over \$750,134. The increase was due increase in staffing, additional equipment, and the purchasing of new vehicles. The additional expenses were covered by an increase in a transfer from the General Fund.

### **Housing Authority Fund**

This fund was established for the development and improvements of the City's housing activity and operations. Currently, the main revenue source is the repayment of the over \$3 million SERAF loan from the Successor Agency of the former Redevelopment Agency. For FY 2020-2021, the loan repayment amount was \$726,636. This fund also contains \$3,389,172 in notes receivable for various housing projects throughout the City from the former Redevelopment Agency Low Income Housing division. Expenditures for this fund consist of a portion of the personnel costs for the Economic Development staff related to programs for increased housing development for the City.

## 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, \$685,000 was paid for the required principal payment and \$1,225,118 was paid out in interest expense. This fund also includes the proceeds and related disbursements for the issuance of 2020 certificates of participation and defeasance of 2012A certificates of participation. The fund balance at June 30, 2021 was \$4,387,724.

## Capital Assets

At the end of FY 2020-2021, the City had invested over \$66 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. The capital assets for business-type activities was reduced to \$0 in 2020 due to the dissolution of the Health & Wellness Foundation and the transfer of its capital assets to the City in exchange for forgiveness of the loan on those assets.

**Table 3**  
**City of Desert Hot Springs**  
**Capital Assets**  
**As of June 30, 2021**

	Governmental activities		Business-Type activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,767,307	\$ 3,096,625	\$ -	\$ -	\$ 2,767,307	\$ 3,096,625
Construction in progress	4,290,691	6,244,956	-	-	4,290,691	6,244,956
Building and improvements, net of depreciation	31,736,147	33,134,088	-	-	31,736,147	33,134,088
Machinery and equipment, net of depreciation	5,004,804	2,210,708	-	-	5,004,804	2,210,708
Vehicles, net of depreciation	902,634	1,048,406	-	-	902,634	1,048,406
Infrastructure, net of depreciation	22,096,320	24,198,919	-	-	22,096,320	24,198,919
<b>Total</b>	<b>\$ 66,797,903</b>	<b>\$ 69,933,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 66,797,903</b>	<b>\$ 69,933,702</b>

For more information on Capital Asset Activity, please see Capital Assets page 60.

## Long-Term Debt

As of June 30, 2021, the City had total long-term liabilities outstanding of \$29,352,654 in Certificates of Participation debt, Lease Revenue Bonds debt, 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 61-66. In October 2020, the 2012A Certificates of Participation were defeased and the 2020 Certificates of Participation were issued to take advantage of lower interest rates.

**Table 4**  
**City of Desert Hot Springs**  
**Long-Term Liabilities**  
**As of June 30, 2021**

	Governmental activities		Business-Type activities		Total	
	2021	2020	2021	2020	2021	2020
2012A certificates of participation	\$ -	\$ 4,955,000	\$ -	\$ -	\$ -	\$ 4,955,000
2020 certificates of participation	5,040,000	-	-	-	5,040,000	-
Lease revenue bonds series 2017A	13,565,000	13,645,000	-	-	13,565,000	13,645,000
Taxable lease revenue bonds series 2017A-T	275,000	490,000	-	-	275,000	490,000
Lease Revenue Bonds Series 2018	6,575,000	6,695,000	-	-	6,575,000	6,695,000
Bond discount - 2017A-T	(285)	(650)	-	-	(285)	(650)
Bond premium - 2012A COP	-	169,979	-	-	-	169,979
Bond premium - 2017A	155,127	161,332	-	-	155,127	161,332
Bond premium - 2018	267,912	278,132	-	-	267,912	278,132
Capital lease payment	-	133,744	-	-	-	133,744
Claims and judgments payable	781,579	552,697	-	-	781,579	552,697
Compensated absences	1,167,931	996,757	-	-	1,167,931	996,757
Pension-related debt	1,525,390	1,736,422	-	-	1,525,390	1,736,422
Promissory notes	-	-	-	-	-	-
<b>Total</b>	<b>\$ 29,352,654</b>	<b>\$ 29,813,413</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,352,654</b>	<b>\$ 29,813,413</b>

### 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 2021 and estimates that will continue for the next couple of years. For FY 2020-2021, the City received \$537,930 in additional cannabis dispensary and cultivation tax revenues over 2019-2020. The cultivation tax revenue decreased by \$246,958 in FY 2020-2021 due to a combination of a cultivation facility ceasing operations and another facility that paid its taxes late.

**Table 5**  
**City of Desert Hot Springs**  
**Marijuana Revenues**  
**As of June 30, 2021**

	Dispensary	Cultivation	Dispensary	Cultivation	Total	Total
	2021	2021	2020	2020	2021	2020
Marijuana Dispensary Revenue	\$ 2,693,884	\$ -	\$ 1,908,996	\$ -	\$ 2,693,884	\$ 1,908,996
Marijuana Cultivation Revenue	-	2,531,005	-	2,777,963	2,531,005	2,777,963
<b>Total</b>	<b>\$ 2,693,884</b>	<b>\$ 2,531,005</b>	<b>\$ 1,908,996</b>	<b>\$ 2,777,963</b>	<b>\$ 5,224,889</b>	<b>\$ 4,686,959</b>

### Economic Factors

- Development activity had several increases due to additional commercial projects and housing developments within the City as discussed previously;
- For FY 2020-2021, Transient Occupancy Tax and Sales Tax revenues have surpassed pre-COVID levels.
- Cannabis tax revenues have increased in FY 2020-2021 and the City is anticipating an additional 200,000 square feet of taxable cultivation space to become operational over the next two years;
- The City has experienced a steady growth in population and is considered the “Fastest Growing City in the Coachella Valley” with a population at 30,086 as of January 2021 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 and during COVID, home values increased by 31% since 2020;
- The typical home value in the City is \$306,000 as of July 2021 and is one of the more affordable housing options than other cities in the Coachella Valley;
- Unemployment rate at June 30, 2021 has decreased to 11.2% for Desert Hot Springs from 22.6% at June 30, 2020. The Riverside County unemployment rate at 6/30/2021 was 7.1%;
- The City has reserves of 15% of annual general fund appropriations for natural and fiscal emergencies and 5% 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, 2021 was \$3,767,695.

### **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, Finance Director, 11999 Palm Drive, Desert Hot Springs, CA 92240 or by telephone at 760-329-6411 Ext 227.

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# **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, 2021**

	Primary Government Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 23,822,785
Receivables, net	8,677,281
Prepaid items	100,717
Property held for resale	85,090
Total current assets	32,685,873
Noncurrent assets:	
Cash and investments with fiscal agents	1,390,383
Capital assets:	
Not being depreciated	7,057,998
Being depreciated, net	59,739,905
Total noncurrent assets	68,188,286
<b>Total assets</b>	100,874,159
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	372,991
Deferred outflows of resources related to pensions	3,745,250
<b>Total deferred outflows of resources</b>	4,118,241
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other liabilities	\$ 1,959,629
Deposits	1,954,515
Interest payable	292,501
Unearned revenues	346,505
Long-term debt - due within one year	1,765,341
Total current liabilities	6,318,491
Noncurrent liabilities:	
Long-term debt - due in more than one year	27,587,313
Net pension liabilities	13,263,594
Total noncurrent liabilities	40,850,907
<b>Total liabilities</b>	47,169,398
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	491,152
<b>Total deferred inflows of resources</b>	491,152
<b>NET POSITION</b>	
Net investment in capital assets	52,003,583
Restricted for:	
Public safety	983,013
Street maintenance and capital improvement	3,834,725
Housing authority	4,499,095
Debt service	4,387,724
Lighting/Landscaping/Drainage	1,132,528
Assessment District 91-1	123,102
Assessment District 92-1	14,767
Assessment District 93-2	10,453
Other	1,331,245
Total restricted	16,316,652
Unrestricted (deficit)	(10,988,385)
<b>Total net position</b>	\$ 57,331,850

See accompanying Notes to the Basic Financial Statements.

**City of Desert Hot Springs**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

<b>Functions/Programs</b>	Primary Government					Net (Expense) Revenue and Change in Net Position
	Governmental Activities					
	Expenses	Program Revenues			Total Program Revenues	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
General government	\$ 9,371,053	509,550	\$ -	\$ -	\$ 509,550	\$ (8,861,503)
Public safety	13,259,926	308,329	5,828,643	28	6,137,000	(7,122,926)
Public works	3,709,489	342,466	1,115,637	4,510,860	5,968,963	2,259,474
Economic development	1,988,944	2,353,043	1,151,538	-	3,504,581	1,515,637
Culture and leisure	1,903,404	1,081,061	58,585	-	1,139,646	(763,758)
Interest and fiscal charges	1,301,428	-	-	-	-	(1,301,428)
<b>Total governmental activities</b>	<u>31,534,244</u>	<u>4,594,449</u>	<u>8,154,403</u>	<u>4,510,888</u>	<u>17,259,740</u>	<u>(14,274,504)</u>
<b>Total primary government</b>	<u>\$ 31,534,244</u>	<u>\$ 4,594,449</u>	<u>\$ 8,154,403</u>	<u>\$ 4,510,888</u>	<u>\$ 17,259,740</u>	<u>(14,274,504)</u>
<b>General revenues:</b>						
Taxes:						
Property taxes						1,532,922
Sales taxes						4,828,708
Dispensary taxes						2,693,884
Cultivator taxes						2,531,005
Vehicle in-lieu taxes						21,754
Franchise taxes						2,037,301
Transient occupancy taxes						2,490,646
Total taxes						<u>16,136,220</u>
Investment income						56,140
Miscellaneous						377,918
<b>Total general revenues</b>						<u>16,570,278</u>
<b>Change in net position</b>						2,295,774
<b>Net position - beginning of year</b>						<u>55,036,076</u>
<b>Net position - end of year</b>						<u>\$ 57,331,850</u>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*  
*Proprietary Fund Financial Statements*  
*Fiduciary Fund Financial Statements*

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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**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.

**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.

**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, 2021**

	Special Revenue Funds			
	General	Public Safety	Housing Authority	Debt Service
<b>ASSETS</b>				
Cash and investments	\$ 12,639,900	\$ 490,289	\$ 1,024,959	\$ 2,878,981
Cash and investments with fiscal agents	-	-	-	1,390,383
Receivables:				
Accounts	2,360,571	1,257,526	-	118,025
Interest	1,588	-	121	335
Notes	-	-	3,389,172	-
Prepaid items	100,717	-	-	-
Due from other governments	-	-	-	-
Due from other funds	324,422	-	-	-
Property held for resale	-	-	85,090	-
<b>Total assets</b>	<b>\$ 15,427,198</b>	<b>\$ 1,747,815</b>	<b>\$ 4,499,342</b>	<b>\$ 4,387,724</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 660,413	\$ 727,992	\$ 247	\$ -
Due to other funds	-	-	-	-
Deposits	1,662,199	74,328	-	-
Unearned revenue	31,123	61,702	-	-
<b>Total liabilities</b>	<b>2,353,735</b>	<b>864,022</b>	<b>247</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	123,407	714,303	-	-
<b>Fund Balances:</b>				
Nonspendable	100,717	-	-	-
Restricted	455,254	169,490	4,499,095	4,387,724
Committed	9,861,960	-	-	-
Assigned	2,532,125	-	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<b>12,950,056</b>	<b>169,490</b>	<b>4,499,095</b>	<b>4,387,724</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 15,427,198</b>	<b>\$ 1,747,815</b>	<b>\$ 4,499,342</b>	<b>\$ 4,387,724</b>

**City of Desert Hot Springs**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2021**

	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>		
Cash and investments	\$ 5,987,577	\$ 23,021,706
Cash and investments with fiscal agents	-	1,390,383
Receivables:		
Accounts	52,395	3,788,517
Interest	564	2,608
Notes	-	3,389,172
Prepaid items	-	100,717
Due from other governments	1,496,984	1,496,984
Due from other funds	103,100	427,522
Property held for resale	-	85,090
<b>Total assets</b>	<b>\$ 7,640,620</b>	<b>\$ 33,702,699</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 563,905	\$ 1,952,557
Due to other funds	427,522	427,522
Deposits	217,988	1,954,515
Unearned revenue	253,680	346,505
<b>Total liabilities</b>	<b>1,463,095</b>	<b>4,681,099</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenues	1,082,878	1,920,588
<b>Fund Balances:</b>		
Nonspendable	-	100,717
Restricted	5,035,795	14,547,358
Committed	155,097	10,017,057
Assigned	-	2,532,125
Unassigned (deficit)	(96,245)	(96,245)
<b>Total fund balances</b>	<b>5,094,647</b>	<b>27,101,012</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,640,620</b>	<b>\$ 33,702,699</b>

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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, 2021**

**Total Fund Balances - Total Governmental Funds** \$ 27,101,012

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

Capital assets, excluding the \$170,769 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	7,057,998	
Capital assets, being depreciated	59,569,136	66,627,134

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.		1,920,588
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Interest expenses are recognized when due, and therefore, interest payable is not recorded in the governmental funds.		(292,501)
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Long-term liabilities, net of \$781,579 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	372,991	
Long-term liabilities	(28,571,075)	(28,198,084)

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	3,745,250	
Net pension liabilities	(13,263,594)	
Deferred inflows of resources	(491,152)	(10,009,496)

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.		183,197
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Net Position of Governmental Activities		\$ 57,331,850
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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, 2021**

	Special Revenue Funds			
	General	Public Safety	Housing Authority	Debt Service
<b>REVENUES:</b>				
Taxes	\$ 16,160,395	\$ 5,189,213	\$ -	\$ 1,313,672
Permits and fees	2,435,000	402,764	-	-
Intergovernmental	366,216	154,852	726,636	-
Licenses	211,152	12,544	-	-
Interest	33,644	-	1,086	22,524
Miscellaneous	349,318	312,273	-	-
<b>Total revenues</b>	<b>19,555,725</b>	<b>6,071,646</b>	<b>727,722</b>	<b>1,336,196</b>
<b>EXPENDITURES:</b>				
Current:				
General government	6,520,234	-	-	-
Public safety	271,062	12,430,346	-	-
Public works	399,783	-	-	-
Economic development	1,868,372	-	107,107	-
Culture and leisure	608,532	-	-	-
Capital outlay	73,083	199,935	-	-
Debt service:				
Principal retirement	-	-	-	685,000
Interest and fiscal charges	-	-	-	1,225,118
<b>Total expenditures</b>	<b>9,741,066</b>	<b>12,630,281</b>	<b>107,107</b>	<b>1,910,118</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,814,659</b>	<b>(6,558,635)</b>	<b>620,615</b>	<b>(573,922)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	-	-	-	5,310,000
Defeasance of debt	-	-	-	(5,465,647)
Transfers in	100,000	6,603,768	-	764,003
Transfers out	(8,665,950)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(8,565,950)</b>	<b>6,603,768</b>	<b>-</b>	<b>608,356</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>1,248,709</b>	<b>45,133</b>	<b>620,615</b>	<b>34,434</b>
<b>FUND BALANCES:</b>				
Beginning of year	11,701,347	124,357	3,878,480	4,353,290
End of year	\$ 12,950,056	\$ 169,490	\$ 4,499,095	\$ 4,387,724

**City of Desert Hot Springs**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>		
Taxes	\$ 1,168,339	\$ 23,831,619
Permits and fees	1,611,077	4,448,841
Intergovernmental	3,573,653	4,821,357
Licenses	-	223,696
Interest	5,670	62,924
Miscellaneous	-	661,591
<b>Total revenues</b>	<b>6,358,739</b>	<b>34,050,028</b>
<b>EXPENDITURES:</b>		
Current:		
General government	-	6,520,234
Public safety	23,695	12,725,103
Public works	2,775,726	3,175,509
Economic development	-	1,975,479
Culture and leisure	108,294	716,826
Capital outlay	1,513,736	1,786,754
Debt service:		
Principal retirement	-	685,000
Interest and fiscal charges	-	1,225,118
<b>Total expenditures</b>	<b>4,421,451</b>	<b>28,810,023</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,937,288</b>	<b>5,240,005</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Issuance of debt	-	5,310,000
Defeasance of debt	-	(5,465,647)
Transfers in	1,828,585	9,296,356
Transfers out	(630,406)	(9,296,356)
<b>Total other financing sources (uses)</b>	<b>1,198,179</b>	<b>(155,647)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>3,135,467</b>	<b>5,084,358</b>
<b>FUND BALANCES:</b>		
Beginning of year	1,959,180	22,016,654
End of year	<b>\$ 5,094,647</b>	<b>\$ 27,101,012</b>

**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, 2021**

---

**Net Change in Fund Balances - Total Governmental Funds** \$ 5,084,358

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		1,611,607
Net effect on disposal of capital assets		(329,318)

Depreciation expense on capital assets, net of internal service fund depreciation expense of \$125,990 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. (4,294,728)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (220,010)

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. (74,112)

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. (171,174)

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		685,000
Issuance of long-term debt		(5,310,000)
Defeasance of long-term debt		5,465,647
Changes in pension-related debt		211,032
		1,051,679

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		16,060
Amortization of deferred charges on refunding		(16,981)
		(921)

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 \$1,705,492 pension contribution made after measurement date. (315,500)

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. (46,107)

**Change in Net Position of Governmental Activities** \$ 2,295,774

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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*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, 2021**

	Governmental Activities
	Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 801,079
Total current assets	801,079
Noncurrent assets:	
Capital assets, being depreciated, net	170,769
Total noncurrent assets	170,769
<b>Total assets</b>	971,848
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	7,072
Claims payable - due within one year	438,541
Total current liabilities	445,613
Noncurrent liabilities:	
Claims payable - due in more than one year	343,038
Total noncurrent liabilities	343,038
<b>Total liabilities</b>	788,651
<b>NET POSITION</b>	
Net investment in capital assets	170,769
Unrestricted	12,428
<b>Total net position</b>	\$ 183,197

**City of Desert Hot Springs**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Governmental Activities
	Internal Service Funds
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 515,823
Insurance recovery	13,353
<b>Total operating revenues</b>	<b>529,176</b>
<b>OPERATING EXPENSES:</b>	
Insurance claims	450,646
Depreciation	123,360
<b>Total operating expenses</b>	<b>574,006</b>
<b>OPERATING (LOSS)</b>	<b>(44,830)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Interest expense	(1,277)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,277)</b>
<b>Changes in net position</b>	<b>(46,107)</b>
<b>NET POSITION:</b>	
Beginning of year	229,304
End of year	<b>\$ 183,197</b>

**City of Desert Hot Springs**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Governmental Activities
	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from claims and recoveries	\$ 13,353
Receipts from user departments	515,823
Payments for insurance claims	(220,011)
<b>Net cash provided by (used in) operating activities</b>	<b>309,165</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal paid	(133,744)
Interest paid	(1,277)
<b>Net cash (used in) capital and related financing activities</b>	<b>(135,021)</b>
<b>Net increase in cash and cash equivalents</b>	174,144
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	626,935
End of year	<b>\$ 801,079</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:</b>	
Operating loss	\$ (44,830)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	123,360
Increase (decrease) in accounts payable	1,753
Increase (decrease) in claims payable	228,882
Total adjustments	<b>353,995</b>
<b>Net cash used in operating activities</b>	<b>\$ 309,165</b>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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**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.

**Agency Funds** - To account for assets held by the City in the capacity of agent for individuals. Agency 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, 2021**

	<u>Successor Agency Private - Purpose Trust Fund</u>	<u>Custodial Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 4,885,251	\$ 2,676,654
Accounts receivable	-	66,660
Interest receivable	-	167
Total current assets	<u>4,885,251</u>	<u>2,743,481</u>
Noncurrent assets:		
Investments with fiscal agents	2,132,434	108,998
Notes receivable	16,294	-
Total noncurrent assets	<u>2,148,728</u>	<u>108,998</u>
<b>Total assets</b>	<u>7,033,979</u>	<u>2,852,479</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refundings	<u>1,213,341</u>	-
<b>Total deferred outflows of resources</b>	<u>1,213,341</u>	-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	717	167,556
Deposits payable	-	1,087,175
Interest payable	398,988	-
Bonds payable - due within one year	<u>2,627,595</u>	-
Total current liabilities	<u>3,027,300</u>	<u>1,254,731</u>
Noncurrent liabilities:		
Bonds payable - due in more than one year	<u>22,864,024</u>	-
Total noncurrent liabilities	<u>22,864,024</u>	-
<b>Total liabilities</b>	<u>25,891,324</u>	<u>1,254,731</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred gain on refundings	<u>262</u>	-
<b>Total deferred outflows of resources</b>	<u>262</u>	-
<b>NET POSITION (DEFICIT)</b>		
Restricted for:		
Held in trust	(17,644,266)	-
Individuals, organization, and other governments	-	1,597,748
<b>Total net position</b>	<u>\$ (17,644,266)</u>	<u>\$ 1,597,748</u>

**City of Desert Hot Springs**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2021**

	Successor Agency Private - Purpose Trust Fund	Custodial Funds
<b>ADDITIONS:</b>		
Redevelopment Property Tax Trust Fund	\$ 4,710,993	\$ -
Assessment revenue collected	-	707,439
Use of money and property	37,264	1,328
<b>Total additions</b>	<b>4,748,257</b>	<b>708,767</b>
<b>DEDUCTIONS:</b>		
Interest expenses	1,251,624	71,115
Administration	259,782	-
Pass through payments	7,891	-
Investment loss	24,447	-
Loss on sale of land held for resale	90,880	-
Recognized obligation payments to City of Desert Hot Springs	726,636	-
Payment of special assessment district expenses	-	113,419
Payment of other organization expenses	-	21,968
<b>Total deductions</b>	<b>2,361,260</b>	<b>206,502</b>
<b>Change in net position</b>	<b>2,386,997</b>	<b>502,265</b>
<b>NET POSITION:</b>		
Beginning of year, as restated (Note 13)	(20,031,263)	1,095,483
End of year	<b>\$ (17,644,266)</b>	<b>\$ 1,597,748</b>

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

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**City of Desert Hot Springs**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2021**

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	<u>Page</u>
<b>Note 1 – Summary of Significant Accounting Policies .....</b>	<b>45</b>
A. Financial Reporting Entity .....	45
B. Basis of Accounting and Measurement Focus .....	46
C. Cash, Cash Equivalents and Investments .....	48
D. Cash and Investments with Fiscal Agents .....	49
E. Fair Value Measurement .....	49
F. Prepaid Items .....	49
G. Interfund Transactions .....	49
H. Property Held for Resale .....	49
I. Capital Assets .....	50
J. Interest Payable .....	50
K. Unearned Revenue .....	50
L. Compensated Absences .....	50
M. Pension .....	50
N. Deferred Outflows/Inflows of Resources .....	51
O. Long-Term Debt .....	51
P. Claims and Judgments .....	51
Q. Property Taxes .....	52
R. Net Position .....	52
S. Fund Balances .....	52
T. Spending Policy .....	53
U. Use of Estimates .....	53
V. Implementation of New GASB Pronouncement .....	53
<b>Note 2 – Cash and Investments .....</b>	<b>54</b>
A. Demand Deposits .....	54
B. Investments .....	55
C. Fair Value Measurement .....	56
D. Risk Disclosures .....	57
E. Investments in Local Agency Investment Fund .....	58
<b>Note 3 – Notes Receivable .....</b>	<b>58</b>
<b>Note 4 – Interfund Transactions .....</b>	<b>59</b>
A. Due From/To Other Funds .....	59
B. Transfers In/Out .....	59
<b>Note 5 – Capital Assets .....</b>	<b>60</b>

**City of Desert Hot Springs**  
**Index to the Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

---

	<u>Page</u>
<b>Note 6 – Long-Term Liabilities .....</b>	<b>61</b>
A. Governmental Activities.....	61
B. Fiduciary Activities.....	65
<b>Note 7 – Non-City Obligation Debt.....</b>	<b>67</b>
<b>Note 8 – Risk Management.....</b>	<b>67</b>
A. Coverage.....	67
B. Claims Activity .....	68
C. Adequacy of Protection.....	68
<b>Note 9 – Defined Benefit Pension Plan .....</b>	<b>68</b>
A. General Information about the Pension Plan.....	68
B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.....	70
<b>Note 10 – Jointly Governed Organization.....</b>	<b>75</b>
<b>Note 11 – Classification of Fund Balances .....</b>	<b>76</b>
<b>Note 12 – Contingencies and Commitments .....</b>	<b>77</b>
A. Lawsuits .....	77
B. Federal and State Grant Programs.....	77
<b>Note 13 – Restatement of Beginning Fiduciary Net Position.....</b>	<b>77</b>
<b>Note 14 – Subsequent Event .....</b>	<b>77</b>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2021**

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**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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

Blended Component Units (Continued):

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.

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Government-Wide Financial Statements (Continued)*

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

*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.
- ***Housing Authority Special Revenue Fund*** – This fund was established to account for, and report, funds set aside for development and improvements of the City’s housing activity and operations.
- ***Debt Service Fund*** – This fund was established to account for the debt service payments of the City.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*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.

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 agency funds and a private-purpose trust fund. Both the agency funds and the private-purpose trust fund are accounted for on the full accrual basis of accounting.

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 purely custodial in nature. 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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Cash, Cash Equivalents and Investments (Continued)**

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

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***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). Depreciation is recorded on a straight-line basis over estimated useful lives of the assets 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.

***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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***M. Pension (Continued)***

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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 outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

***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.

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. 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”).

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Q. 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.

***R. 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.

***S. 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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Fund Balances (Continued)**

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.

**T. Spending Policy**

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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.

Governmental Fund Financial Statements

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

**U. 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.

**V. Implementation of New GASB Pronouncement**

GASB Statement No. 84 Fiduciary Activities. This statement establishes standards relating accounting and financial reporting for identifying and financial reporting of fiduciary activities. Those provisions are effective for reporting periods beginning after December 15, 2019, as amended by GASB Statement No. 95. See Note 13 for restatement of beginning fiduciary net position as result of implementation.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**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, 2021:

	Government- Wide Statement of Net Position Governmental Activities	Fiduciary Fund Statement of Net Position	Total
Cash and investments	\$ 23,822,784	\$ 7,561,906	\$ 31,384,690
Cash and investments with fiscal agents	1,390,383	2,241,432	3,631,815
Total cash and investments	\$ 25,213,167	\$ 9,803,338	\$ 35,016,505

Cash and investments consisted of the following at June 30, 2021:

Cash:	
Petty cash	\$ 8,000
Demand deposits	23,505,707
Restricted cash	455,254
Cash with fiscal agent:	430,110
Total cash and cash equivalents	24,399,071
Investments	7,415,729
Investments with fiscal agents	3,201,705
Total investments	10,617,434
Total cash and investments	\$ 35,016,505

**A. Demand Deposits**

The carrying amounts of the City's demand deposits were \$23,505,707 at June 30, 2021. Bank balances at that date were \$23,505,618, 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.

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 2 – Cash and Investments (Continued)**

**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.

Investments Authorized by the City's Investment Policy

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 2 – Cash and Investments (Continued)**

**B. Investments (Continued)**

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.

**C. Fair Value Measurement**

At June 30, 2021, 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, 2021:

Investment Type	Value	Fair Value Measurement		Cash Equivalent
		Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	
Local Agency Investment Fund (LAIF)	\$ 3,400,125	\$ -	\$ -	\$ 3,400,125
Negotiable Certificates of deposits	1,902,083	-	1,902,083	-
Money market funds	21,981	-	-	21,981
US Treasury notes	660,777	660,777	-	-
US government sponsored enterprise securities	916,696	-	916,696	-
Corporate notes and asset back securities	446,543	-	446,543	-
Supernational	67,524	-	67,524	-
Investments held with fiscal agents:				
US Treasury notes	1,568,946	1,568,946	-	-
Commercial paper	749,548	-	749,548	-
Foreign government bonds	327,742	-	327,742	-
Money market mutual funds	6,624	-	-	6,624
US government sponsored enterprise securities	548,845	-	548,845	-
<b>Total</b>	<b>\$ 10,617,434</b>	<b>\$ 2,229,723</b>	<b>\$4,958,981</b>	<b>\$ 3,428,730</b>

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 2 – Cash and Investments (Continued)**

**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, 2021, 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)	\$ 3,400,125	\$ 3,400,125	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	1,902,083	326,468	46,840	457,967	825,917	244,891
Money market funds	21,981	21,981	-	-	-	-
US Treasury notes	660,777	50,530	255,844	255,189	99,214	-
US government sponsored enterprise securities	916,696	193,026	423,998	299,672	-	-
Corporate notes and asset back securities	446,543	50,475	156,134	144,773	80,172	14,989
Supernational	67,524	-	-	41,326	26,198	-
Investments held with fiscal agents:						
US Treasury notes	1,568,946	1,568,946	-	-	-	-
Commercial paper	749,548	749,548	-	-	-	-
Foreign government bonds	327,742	327,742	-	-	-	-
Money market mutual funds	6,624	6,624	-	-	-	-
US government sponsored enterprise securities	548,845	-	-	-	548,845	-
<b>Total</b>	<b>\$ 10,617,434</b>	<b>\$ 6,695,465</b>	<b>\$ 882,816</b>	<b>\$ 1,198,927</b>	<b>\$ 1,580,346</b>	<b>\$ 259,880</b>

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)	\$ 3,400,125	None	Not Rated	45.85%
Certificates of deposits	1,902,083	None	A1	25.65%
Money market funds	21,981	Aaa	Aaa	0.30%
US Treasury notes	660,777	None	Aaa	8.91%
US government sponsored enterprise securities	916,696	None	Aaa	12.36%
Corporate notes and asset back securities	446,543	AA	Aaa/Aa/A	6.02%
Supernational	67,524	AA	Aaa	0.91%
Investments held with fiscal agents:				
US Treasury notes	1,568,946	N/A	Aaa	N/A
Commercial paper	749,548	N/A	Aaa	N/A
Foreign government bonds	327,742	N/A	Not Rated	N/A
Money market mutual funds	6,624	N/A	Aaa	N/A
US government sponsored enterprise securities	548,845	N/A	Aaa	N/A
<b>Total</b>	<b>\$ 10,617,434</b>			

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 2 – Cash and Investments (Continued)**

***D. Risk Disclosures (Continued)***

*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. The City’s investments with LAIF at June 30, 2021, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

*Structured Notes:* Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

*Asset-Backed Securities:* Generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, the City had \$3,400,125 invested in LAIF, which had invested 2.31% of the pool investment funds in Structured Notes and Asset-Backed Securities. 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, 2021 at amortized cost, which approximates fair value.

**Note 3 – Notes Receivable**

Notes receivable, which amounted to \$3,389,172, is reported in the Housing Authority Special Revenue Fund as follows:

Housing Rehabilitation Loan Program	\$ 439,172
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
<b>Total</b>	<b>\$ 3,389,172</b>

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 3 – Notes Receivable (Continued)**

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, 2021, the City had the following short-term interfund receivable/payable:

<b>Due from Other Funds</b>				
		Nonmajor Governmental		
<b>Due to Other Funds</b>	General Fund	Funds	Total	
Nonmajor Governmental Funds	\$ 324,422	\$ 103,100	\$ 427,522	

The interfund balances resulted from temporary reclassifications made at June 30, 2021 to cover cash shortfalls.

**B. Transfers In/Out**

For the year ended June 30, 2021, the City had the following transfers in/out which arise in the normal course of operations:

<b>Transfers In</b>						
		Public Safety	Debt	Nonmajor		
		Special Revenue	Service	Governmental		
<b>Transfers Out</b>	General Fund	Fund	Fund	Funds	Total	
General Fund	\$ -	\$ 6,422,008	\$ 415,357	\$ 1,828,585	\$ 8,665,950	
Nonmajor Governmental Funds	100,000	181,760	348,646	-	630,406	
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 6,603,768</b>	<b>\$ 764,003</b>	<b>\$ 1,828,585</b>	<b>\$ 9,296,356</b>	

The transfer of \$6,422,008 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 \$415,357 to the Debt Service Fund was to fund debt service payments. The transfers of \$1,828,585 from General Fund to the Nonmajor Governmental Funds were budgeted transfers to provide funding for the expenditures of capital improvement projects, Cabot's Museum and Municipal Lighting and Maintenance District.

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 \$181,760 from the Nonmajor Governmental Funds to the Public Safety Special Revenue Fund relates to assistance in funding public safety expenditures.

The transfers of \$348,646 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, 2021**

**Note 5 – Capital Assets**

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2021 is as follows:

	Governmental Activities				Balance June 30, 2021
	Balance July 1, 2020	Additions	Deletions	Transfers	
<b>Nondepreciable assets:</b>					
Land	\$ 3,096,625	\$ -	\$ (329,318)	\$ -	\$ 2,767,307
Construction in progress	6,244,956	807,875	-	(2,762,140)	4,290,691
Total nondepreciable assets	<u>9,341,581</u>	<u>807,875</u>	<u>(329,318)</u>	<u>(2,762,140)</u>	<u>7,057,998</u>
<b>Depreciable assets:</b>					
Building and improvements	44,937,729	84,083	-	(58,320)	44,963,492
Machinery and equipment	10,660,198	375,749	-	2,820,460	13,856,407
Vehicles	3,222,236	257,223	(153,978)	-	3,325,481
Infrastructure	43,785,540	86,677	-	-	43,872,217
Total capital assets, being depreciated	<u>102,605,703</u>	<u>803,732</u>	<u>(153,978)</u>	<u>2,762,140</u>	<u>106,017,597</u>
<b>Less accumulated depreciation:</b>					
Building and improvements	(11,803,641)	(1,423,704)	-	-	(13,227,345)
Machinery and equipment	(8,449,490)	(402,113)	-	-	(8,851,603)
Vehicles	(2,173,830)	(402,995)	153,978	-	(2,422,847)
Infrastructure	(19,586,621)	(2,189,276)	-	-	(21,775,897)
Total accumulated depreciation	<u>(42,013,582)</u>	<u>(4,418,088)</u>	<u>153,978</u>	<u>-</u>	<u>(46,277,692)</u>
Total depreciable assets, net	<u>60,592,121</u>	<u>(3,614,356)</u>	<u>-</u>	<u>2,762,140</u>	<u>59,739,905</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 69,933,702</u>	<u>\$ (2,806,481)</u>	<u>\$ (329,318)</u>	<u>\$ -</u>	<u>\$ 66,797,903</u>

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2021 as follows:

General government	\$ 2,848,383
Public safety	223,226
Public works	370,745
Culture and leisure	852,374
Internal service fund	123,360
<b>Total depreciation expense</b>	<u>\$ 4,418,088</u>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**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, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within One Year	Due in more than One Year
2012A Certificates of Participation	\$ 4,955,000	\$ -	\$ (4,955,000)	\$ -	\$ -	\$ -
2020 Certificates of Participation	-	5,310,000	(270,000)	5,040,000	200,000	4,840,000
Lease Revenue Bonds Series 2017A	13,645,000	-	(80,000)	13,565,000	90,000	13,475,000
Taxable Lease Revenue Bonds						
Series 2017A-T	490,000	-	(215,000)	275,000	215,000	60,000
Lease Revenue Bonds Series 2018	6,695,000	-	(120,000)	6,575,000	125,000	6,450,000
Subtotal	<u>25,785,000</u>	<u>5,310,000</u>	<u>(5,640,000)</u>	<u>25,455,000</u>	<u>630,000</u>	<u>24,825,000</u>
Add/(less) deferred amounts:						
Bond premium - 2012A COP	169,981	-	(169,981)	-	-	-
Bond discount - 2017A-T	(650)	-	365	(285)	(285)	-
Bond premium - 2017A	161,332	-	(6,205)	155,127	6,205	148,922
Bond premium - 2018	278,132	-	(10,220)	267,912	10,220	257,692
Total bonds payable	<u>26,393,795</u>	<u>5,310,000</u>	<u>(5,826,041)</u>	<u>25,877,754</u>	<u>646,140</u>	<u>25,231,614</u>
Capital lease payable	133,744	-	(133,744)	-	-	-
Claims and judgments payable	552,697	423,770	(194,888)	781,579	438,541	343,038
Compensated absences	996,757	740,566	(569,392)	1,167,931	350,379	817,552
Pension-related debt	1,736,422	110,487	(321,519)	1,525,390	330,361	1,195,029
<b>Total</b>	<u>\$ 29,813,415</u>	<u>\$ 6,584,823</u>	<u>\$ (7,045,584)</u>	<u>\$ 29,352,654</u>	<u>\$ 1,765,421</u>	<u>\$ 27,587,233</u>

*California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program) – Original Issue \$5,925,000*

In February 2012, the City entered into a trust agreement with the California Statewide Communities Development Authority (the “Authority”), and issued the Certificates of Participation, Series 12A (the “2012A Certificates”) in the amount of \$5,925,000. The purpose of the Certificates was to: 1) finance the design, acquisition, and construction of certain local roadway improvements and street resurfacing projects (the “Project”) within the City, 2) fund a reserve subaccount within the reserve fund for the Certificates, and 3) 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 2012A Certificates accrue interest at rates between 2.00% and 6.00%, payable semiannually on June 1 and December 1, and mature through June 1, 2042. During the year ended June 30, 2021, the 2012A Certificates were defeased by the Certificates of Participation, Series 2020.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 6 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

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) defease 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, 2021 was \$4,820,000.

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.

At June 30, 2021, the outstanding balance of the 2020 Certificates was \$5,040,000. The annual debt service requirements on the 2020 Certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 200,000	\$ 120,338	\$ 320,338
2023	200,000	119,168	319,168
2024	200,000	117,766	317,766
2025	205,000	115,844	320,844
2026	210,000	113,668	323,668
2027-2031	1,090,000	514,528	1,604,528
2032-2036	1,215,000	384,554	1,599,554
2037-2041	1,410,000	189,908	1,599,908
2042	310,000	10,038	320,038
Total	<u>\$ 5,040,000</u>	<u>\$ 1,685,812</u>	<u>\$ 6,725,812</u>

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 6 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

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

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, 2021, the outstanding balance of the Tax Exempt Bonds and the Taxable Bonds were \$13,565,000 and \$2750,000, 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
2022	\$ 90,000	\$ 549,307	\$ 215,000	\$ 8,755	\$ 305,000	\$ 558,062
2023	255,000	545,257	60,000	1,875	315,000	547,132
2024	330,000	533,781	-	-	330,000	533,781
2025	345,000	518,931	-	-	345,000	518,931
2026	360,000	503,407	-	-	360,000	503,407
2027-2031	2,080,000	2,239,255	-	-	2,080,000	2,239,255
2032-2036	2,530,000	1,795,407	-	-	2,530,000	1,795,407
2037-2041	3,045,000	1,278,988	-	-	3,045,000	1,278,988
2042-2046	3,700,000	621,600	-	-	3,700,000	621,600
2047	830,000	33,200	-	-	830,000	33,200
Total	\$ 13,565,000	\$ 8,619,133	\$ 275,000	\$ 10,630	\$ 13,840,000	\$ 8,629,763

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 and principals are due annually on March 1.

At June 30, 2021, the outstanding balance of the 2018 bonds were \$6,575,000. The annual debt service requirements on the 2018 bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 125,000	\$ 289,356	\$ 414,356
2023	130,000	283,106	413,106
2024	140,000	276,606	416,606
2025	145,000	269,606	414,606
2026	150,000	262,356	412,356
2027-2031	880,000	1,190,780	2,070,780
2032-2036	1,120,000	953,218	2,073,218
2037-2041	1,395,000	672,350	2,067,350
2042-2046	1,705,000	367,200	2,072,200
2047-2048	785,000	47,400	832,400
Total	\$ 6,575,000	\$ 4,611,978	\$ 11,186,978

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**Note 6 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

Capital Lease Payable

The City entered into a capital lease agreement during the year ended June 30, 2018 for the acquisition of 10 police vehicles in the amount of \$504,160. The lease repayments are due on monthly basis and bears interest at 4.2% annum. The accumulated depreciation for the leased vehicles at June 30, 2021 was \$378,529. The lease was fully paid off during the year ended June 30, 2021.

Claims and Judgments Payable

The claims and judgments payable at June 30, 2021 was in the amount of \$781,579. 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 \$1,167,931 at June 30, 2021. 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. 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, 2021 totaled \$1,525,390, including \$212,095 for the Miscellaneous Plan and \$1,313,295 for the Safety Plan. The future payment requirements are as follows:

Year Ending June 30,	Miscellaneous	Safety	Total
2022	\$ 111,919	\$ 218,442	\$ 330,361
2023	100,176	224,449	324,625
2024	-	230,621	230,621
2025	-	236,963	236,963
2026	-	243,479	243,479
2027		159,341	159,341
	<u>\$ 212,095</u>	<u>\$ 1,313,295</u>	<u>\$ 1,525,390</u>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 6 – Long-Term Liabilities (Continued)**

**B. Fiduciary Activities**

A summary of changes in long-term liabilities for the fiduciary fund for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within One Year	Due in more than One Year
2008 Tax Allocation Bonds A-1	\$ 7,425,000	\$ -	\$ (1,670,000)	\$ 5,755,000	\$ 1,790,000	\$ 3,965,000
2017 Tax Allocation Refunding Bonds	18,855,000	-	(740,000)	18,115,000	800,000	17,315,000
Subtotal	26,280,000	-	(2,410,000)	23,870,000	2,590,000	21,280,000
Add/(less) deferred amounts:						
Bond discount - 2008 TAB A-1	(187,458)	-	58,765	(128,693)	(58,765)	(69,928)
Bond premium - 2017 Tax Allocation Refunding Bonds	1,846,672	-	(96,360)	1,750,312	96,360	1,653,952
<b>Total bonds payable</b>	<u>\$27,939,214</u>	<u>\$ -</u>	<u>\$ (2,447,595)</u>	<u>\$25,491,619</u>	<u>\$ 2,627,595</u>	<u>\$22,864,024</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.

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 \$2,131,300 and total net revenue reported by the Successor Agency was \$4,710,993. The ratio of net revenues to the debt service payments due during the year ended June 30, 2021 was 2.21 (221%).

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 6 – Long-Term Liabilities (Continued)**

**B. Fiduciary Activities (Continued)**

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

The outstanding balance of the Series 2008A-1 Bonds at June 30, 2021 totaled to \$5,755,000. The annual debt service requirements on the Series 2008A-1 Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,790,000	\$ 340,200	\$ 2,130,200
2023	1,915,000	210,525	2,125,525
2024	2,050,000	71,750	2,121,750
Total	<u>\$ 5,755,000</u>	<u>\$ 622,475</u>	<u>\$ 6,377,475</u>

*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, 2021 was \$18,115,000. The annual debt service requirements on these bonds are as follows:

*Tax Allocation Refunding Bonds, Series 2017 – Original Issue \$20,020,000 (Continued)*

Year Ending June 30,	Principal	Interest	Total
2022	\$ 800,000	\$ 774,112	\$ 1,574,112
2023	840,000	733,113	1,573,113
2024	880,000	690,112	1,570,112
2025	925,000	644,988	1,569,988
2026	970,000	607,312	1,577,312
2027-2031	5,535,000	2,299,185	7,834,185
2032-2036	5,395,000	921,449	6,316,449
2037-2040	2,770,000	158,521	2,928,521
Total	<u>\$ 18,115,000</u>	<u>\$ 6,828,792</u>	<u>\$ 24,943,792</u>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**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, 2021 was \$1,935,672.

**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 36-951 Cook Street, Suite 101, Palm Desert, CA 92211.

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, 2021**

**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, 2021, the amount of these liabilities was \$781,579 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
2019	\$ 333,550	\$ 147,179	\$ (249,886)	\$ 230,843
2020	230,843	436,106	(114,252)	552,697
2021	552,697	423,770	(194,888)	781,579

**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, 2019, 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	13	8	33	6	2	19
Transferred and terminated employees	25	3	7	23	4	6
Separated	35	2	14	10	-	5
Retired Employees and Beneficiaries	52	-	1	65	1	3
Total	125	13	55	104	7	33

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**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 7.5% 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, 2021**

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**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, 2020, the contribution rates were as follows:

Plans	Active Employee Contribution Rate	Employer Contribution Rate
Miscellaneous First Tier	8.000%	13.182%
Miscellaneous Second Tier	7.000%	8.081%
Miscellaneous PEPRA	6.250%	6.985%
Safety Police First Tier	9.000%	25.077%
Safety Police Second Tier	9.000%	22.243%
Safety Police PEPRA	13.500%	14.413%

**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, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

<sup>1</sup>The mortality table used was developed based on CalPERS’ specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this tables please refer to the CalPERS experience study and Review of Actuarial Assumption report from December 2017 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, 2021**

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**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*

In 2020, there were no changes in assumptions.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15 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 as well as the expected pension fund cash flows. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class <sup>1</sup>	Assumed Asset Allocation	Real Return Years 1-10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

1 In the CalPERS's ACFR, Fixed Income is included in Global Debt Securities;

Liquidity is included in Short-term Investments;

Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

2 An expected inflation of 2.00% used for this period.

3 An expected inflation of 2.92% used for this period.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**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 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	<b>Plan's Net Pension Liability/(Asset)</b>		
	<b>Discount Rate</b>	<b>Current Discount</b>	<b>Discount Rate</b>
	<b>- 1% (6.15%)</b>	<b>Rate (7.15%)</b>	<b>+ 1% (8.15%)</b>
Miscellaneous Plan	\$ 5,889,634	\$ 3,688,124	\$ 1,869,085
Safety Plan	\$ 14,412,615	\$ 9,575,470	\$ 5,606,135

*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:

	<b>Increase (Decrease)</b>		
	<b>Plan Total</b>	<b>Plan Fiduciary</b>	<b>Net Pension</b>
	<b>Pension</b>	<b>Net</b>	<b>Net Pension</b>
	<b>Liability</b>	<b>Position</b>	<b>Liability/(Asset)</b>
<b>Miscellaneous Plan</b>			
Balance at: 6/30/19 (Valuation date)	\$ 13,597,845	\$ 10,119,896	\$ 3,477,949
Balance at: 6/30/20 (Measurement date)	14,769,294	11,081,170	3,688,124
Net Changes during 2019-2020	1,171,449	961,274	210,175
	<b>Plan Total</b>	<b>Plan Fiduciary</b>	<b>Net Pension</b>
	<b>Pension</b>	<b>Net</b>	<b>Net Pension</b>
	<b>Liability</b>	<b>Position</b>	<b>Liability/(Asset)</b>
<b>Safety Plan</b>			
Balance at: 6/30/19 (Valuation date)	\$ 31,900,235	\$ 23,052,794	\$ 8,847,441
Balance at: 6/30/20 (Measurement date)	33,947,059	24,371,589	9,575,470
Net Changes during 2019-2020	2,046,824	1,318,795	728,029

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**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, 2019). 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, 2020). 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, 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2019-2020).
- (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:

	<b>Plans</b>	
	<u>Miscellaneous</u>	<u>Safety</u>
June 30, 2019	0.03394%	0.08634%
June 30, 2020	0.03390%	0.08801%
Change - (Decrease)	<u>-0.00004%</u>	<u>0.001670%</u>

For the year ended June 30, 2021, the City recognized pension expense in the amounts of \$656,030 and \$1,621,927 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, 2021**

**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 2019-2020 measurement period is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired).

At June 30, 2021, 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	\$ 692,622	\$ -	\$ 1,269,835	\$ -	\$ 1,962,457	\$ -
Changes of assumptions	-	(26,306)	-	(31,896)	-	(58,202)
Difference between expected and actual experience	190,061	-	742,530	-	932,591	-
Difference between projected and actual earning on pension plan investments	109,561	-	208,117	-	317,678	-
Adjustment due to differences in proportions	294,465	(229,785)	98,360	(4,818)	392,825	(234,603)
Difference between City contributions and proportionate share of contributions	139,699	-	-	(198,347)	139,699	(198,347)
<b>Total</b>	<b>\$ 1,426,408</b>	<b>\$ (256,091)</b>	<b>\$ 2,318,842</b>	<b>\$ (235,061)</b>	<b>\$ 3,745,250</b>	<b>\$ (491,152)</b>

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, 2021. 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
2022	\$ 40,948	\$ 157,609
2023	275,762	320,209
2024	108,437	231,849
2025	52,548	104,279
	<b>\$ 477,695</b>	<b>\$ 813,946</b>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**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 \$226,989 during the year ended June 30, 2021. 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 lease 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 lease 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 lease payments for a master logging recorder, in the aggregate principal amount of \$202,489. The City made lease payments of \$134,334 and \$4,059 for the Motorola and Master Logging Recorder respectively during the year ended June 30, 2021.

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

Year Ending June 30,	Motorola Lease Reimbursement	Master Logging Recorder Reimbursement	Lease Reimbursement
2022	\$ 134,334	\$ 4,059	\$ 138,393
2023	134,334	4,059	138,393
2024	134,334	4,059	138,393
	<u>\$ 403,002</u>	<u>\$ 12,177</u>	<u>\$ 415,179</u>

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 11 – Classification of Fund Balances**

At June 30, 2021, fund balances are classified as follows:

	Major Funds					Total	
	General Fund	Special Revenue Funds			Debt Service Fund		Nonmajor Governmental Funds
		Public Safety	Housing Authority				
<b>Nonspendable:</b>							
Prepaid items	\$ 100,717	\$ -	\$ -	\$ -	\$ -	\$ 100,717	
<b>Total nonspendable</b>	<u>100,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,717</u>	
<b>Restricted:</b>							
Furbee settlement	455,254	-	-	-	-	455,254	
Housing and economic development	-	-	4,499,095	-	-	4,499,095	
Public safety	-	169,490	-	-	23,187	192,677	
Public works/projects	-	-	-	-	2,863,511	2,863,511	
Culture and leisure	-	-	-	-	841,356	841,356	
Debt service	-	-	-	4,387,724	-	4,387,724	
Air quality	-	-	-	-	26,891	26,891	
Lighting/Landscaping/ Drainage	-	-	-	-	1,132,528	1,132,528	
Assessment District 91-1	-	-	-	-	123,102	123,102	
Assessment District 92-1	-	-	-	-	14,767	14,767	
Assessment District 93-2	-	-	-	-	10,453	10,453	
<b>Total restricted</b>	<u>455,254</u>	<u>169,490</u>	<u>4,499,095</u>	<u>4,387,724</u>	<u>5,035,795</u>	<u>14,547,358</u>	
<b>Committed:</b>							
Emergency Reserve	3,767,923	-	-	-	-	3,767,923	
Reserve for capital use Natural or Fiscal	1,523,509	-	-	-	-	1,523,509	
Emergency Reserve	4,570,528	-	-	-	-	4,570,528	
Art in public places	-	-	-	-	155,097	155,097	
<b>Total committed</b>	<u>9,861,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,097</u>	<u>10,017,057</u>	
<b>Assigned:</b>							
Operations	2,532,125	-	-	-	-	2,532,125	
<b>Unassigned:</b>	-	-	-	-	(96,245)	(96,245)	
<b>Total</b>	<u>\$ 12,950,056</u>	<u>\$ 169,490</u>	<u>\$ 4,499,095</u>	<u>\$ 4,387,724</u>	<u>\$ 5,094,647</u>	<u>\$ 27,101,012</u>	

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 \$2,528,858 is being held in the General Fund to fund the operations of the City for the fiscal year ending 2021-2022. 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, 2021**

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**Note 12 – 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 13 – Restatement of Beginning Fiduciary Net Position**

The implementation of GASB No. 84 resulted in the reclassification of agency funds to custodial funds. The implementation resulted in the restatement of previously reported net position in the amount of \$0 to \$1,095,483 for custodial funds.

**Note 14 – Subsequent Event**

On February 10, 2021, the City entered into a master lease purchase agreement to acquire ten police vehicles and two public works vehicles from National Auto Fleet Group with Lease Servicing Center, Inc. dba NCL Governmental capital in the amount of \$708,663.19 with 2.73% interest rate. The repayment agreement was finalized in August 2021 when the vehicles were delivered. The principal matures in amounts ranging from \$12,409 to \$15,601 from October 30, 2021 to September 30, 2025.

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**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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 14,020,277	\$ 15,760,176	\$ 16,160,395	\$ 400,219
Permits and fees	2,180,200	2,154,754	2,435,000	280,246
Intergovernmental	-	416,216	366,216	(50,000)
Licenses	231,540	180,000	211,152	31,152
Interest	100,100	100,100	33,644	(66,456)
Miscellaneous	708,138	708,138	349,318	(358,820)
<b>Total revenues</b>	<u>17,240,255</u>	<u>19,319,384</u>	<u>19,555,725</u>	<u>236,341</u>
<b>EXPENDITURES:</b>				
Current:				
General government	6,567,990	7,849,202	6,520,234	1,328,968
Public safety	156,364	156,197	271,062	(114,865)
Public works	430,729	431,214	399,783	31,431
Economic development	2,252,184	2,111,655	1,868,372	243,283
Culture and leisure	479,921	779,921	608,532	171,389
Capital outlay	-	21,224	73,083	(51,859)
<b>Total expenditures</b>	<u>9,887,188</u>	<u>11,349,413</u>	<u>9,741,066</u>	<u>1,608,347</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>7,353,067</u>	<u>7,969,971</u>	<u>9,814,659</u>	<u>1,844,688</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(1,193,746)	(1,493,943)	(8,665,950)	(7,172,007)
<b>Total other financing sources (uses)</b>	<u>(1,093,746)</u>	<u>(1,393,943)</u>	<u>(8,565,950)</u>	<u>(7,172,007)</u>
<b>Net changes in fund balance</b>	<u>\$ 6,259,321</u>	<u>\$ 6,576,028</u>	1,248,709	<u>\$ (5,327,319)</u>
<b>FUND BALANCE:</b>				
Beginning of year			11,701,347	
End of year			<u>\$ 12,950,056</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 4,908,986	\$ 5,104,686	\$ 5,189,213	\$ 84,527
Permits and fees	419,000	419,000	402,764	(16,236)
Intergovernmental	179,484	194,884	154,852	(40,032)
Licenses	18,000	18,000	12,544	(5,456)
Miscellaneous	393,230	264,000	312,273	48,273
<b>Total revenues</b>	<u>5,918,700</u>	<u>6,000,570</u>	<u>6,071,646</u>	<u>71,076</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	13,530,270	14,015,718	12,430,346	1,585,372
Capital outlay	58,000	199,900	199,935	(35)
<b>Total expenditures</b>	<u>13,588,270</u>	<u>14,215,618</u>	<u>12,630,281</u>	<u>1,585,337</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(7,669,570)</u>	<u>(8,215,048)</u>	<u>(6,558,635)</u>	<u>1,656,413</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	150,000	150,000	6,603,768	6,453,768
Transfers out	(136,816)	(136,816)	-	136,816
<b>Total other financing sources (uses)</b>	<u>13,184</u>	<u>13,184</u>	<u>6,603,768</u>	<u>6,590,584</u>
<b>Net changes in fund balance</b>	<u>\$ (7,656,386)</u>	<u>\$ (8,201,864)</u>	45,133	<u>\$ 8,246,997</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>124,357</u>	
End of year			<u>\$ 169,490</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 726,636	\$ 726,636	\$ 726,636	\$ -
Interest	-	-	1,086	1,086
<b>Total revenues</b>	<u>726,636</u>	<u>726,636</u>	<u>727,722</u>	<u>1,086</u>
<b>EXPENDITURES:</b>				
Current:				
Economic development	<u>228,116</u>	<u>228,116</u>	<u>107,107</u>	<u>121,009</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>498,520</u>	<u>498,520</u>	<u>620,615</u>	<u>122,095</u>
<b>Net changes in fund balance</b>	<u>\$ 498,520</u>	<u>\$ 498,520</u>	<u>620,615</u>	<u>\$ 122,095</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>3,878,480</u>	
End of year			<u>\$ 4,499,095</u>	

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**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited)**  
**Notes to the Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2021**

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**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. There were no adopted budget for Assessment District 92-1 Capital Projects Fund and Assessment District 93-1 for the year ended June 30, 2021.

On June 2, 2020, the City Council approved and adopted the budget for fiscal year 2020-2021.

**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, 2021**

**Last Ten Fiscal Years**

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

	June 30, 2020	June 30, 2019
City's Proportion of the Net Pension Liability	0.033897%	0.033941%
City's Proportionate Share of the Net Pension Liability	\$ 3,688,124	\$ 3,477,949
City's Covered Payroll	\$ 3,761,101	\$ 2,959,267
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	98.06%	117.53%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	74.42%

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

	June 30, 2020	June 30, 2019
City's Proportion of the Net Pension Liability	0.088006%	0.086341%
City's Proportionate Share of the Net Pension Liability	\$ 9,575,470	\$ 8,847,411
City's Covered Payroll	\$ 2,589,732	\$ 2,336,427
City's Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	369.75%	378.67%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	71.79%	72.27%

<sup>1</sup> Historical information is presented only for measurement periods for which 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, 2021**

**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 <sup>1</sup>
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 <sup>1</sup>
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>

<sup>1</sup> Historical information is presented only for measurement periods for which 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, 2021**

**Last Ten Fiscal Years**

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

Fiscal year	2020-21 <sup>1</sup>	2019-20 <sup>1</sup>	2018-19
Actuarially Determined Contribution	\$ 692,622	\$ 611,957	\$ 496,387
Contribution in Relation to the Actuarially Determined Contribution	(692,622)	(611,957)	(496,387)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll <sup>2</sup>	\$ 3,864,531	\$ 3,761,101	\$ 2,959,267
Contributions as a Percentage of Covered Payroll	17.92%	16.27%	16.77%

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

Fiscal year	2020-21 <sup>1</sup>	2019-20 <sup>1</sup>	2018-19
Actuarially Determined Contribution	\$ 1,269,835	\$ 1,093,535	\$ 911,294
Contribution in Relation to the Actuarially Determined Contribution	(1,269,835)	(1,093,535)	(911,294)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll <sup>2</sup>	\$ 2,660,950	\$ 2,589,732	\$ 2,336,427
Contributions as a Percentage of Covered Payroll	47.72%	42.23%	39.00%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is implemented since 2013-14.

<sup>2</sup> Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year 2020-21.

**Notes to Schedule**

Changes of Assumptions: In 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, 2021**

**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%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is implemented since 2013-14.

**Notes to Schedule**

Changes of Assumptions: In 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**  
**City Debt Service Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,313,672	\$ 213,672
Interest	38,000	38,000	22,524	(15,476)
<b>Total revenues</b>	<u>1,138,000</u>	<u>1,138,000</u>	<u>1,336,196</u>	<u>198,196</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	550,000	550,000	685,000	(135,000)
Interest and fiscal charges	1,161,356	1,161,356	1,225,118	(63,762)
<b>Total expenditures</b>	<u>1,711,356</u>	<u>1,711,356</u>	<u>1,910,118</u>	<u>(198,762)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(573,356)</u>	<u>(573,356)</u>	<u>(573,922)</u>	<u>(566)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of debt	-	-	5,310,000	5,310,000
Defeasance of debt	-	-	(5,465,647)	(5,465,647)
Transfers in	812,851	764,003	764,003	-
<b>Total other financing sources (uses)</b>	<u>812,851</u>	<u>764,003</u>	<u>608,356</u>	<u>(155,647)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ 239,495</u>	<u>\$ 190,647</u>	34,434	<u>\$ (156,213)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>4,353,290</u>	
End of year			<u>\$ 4,387,724</u>	

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# NONMAJOR GOVERNMENTAL FUNDS

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## 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.

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# NONMAJOR

## GOVERNMENTAL FUNDS (CONTINUED)

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### SPECIAL REVENUE FUNDS (Continued):

*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.

*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.

### 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.

*Assessment District 92-1 Capital Projects Fund* - To account for improvements to the Assessment District 92-1, which are financed from bond proceeds. Debt service payments are paid from special assessed revenues.

*Assessment District 93-2 Capital Projects Fund* - To account for improvements to the Assessment District 93-2, which are financed from bond proceeds. Debt service payments are paid from special assessed revenues.

*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.

**City of Desert Hot Springs  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	Special Revenue			
	Special Gas Tax	SB1 Road Maintenance and Rehabilitation	Municipal Lighting / Landscaping Assessment District	Measure A
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 640,073	\$ 982,397	\$ 128,251
Receivables:				
Accounts	-	-	-	
Interest	-	70	97	8
Due from other governments	78,622	53,600	76,765	182,153
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 78,622</b>	<b>\$ 693,743</b>	<b>\$ 1,059,259</b>	<b>\$ 310,412</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 25,121	\$ 30,126	\$ 311,406	\$ -
Due to other funds	121,859	-	160,913	-
Deposits	-	-	-	-
Unearned revenue	-	-	53,680	-
<b>Total liabilities</b>	<b>146,980</b>	<b>30,126</b>	<b>525,999</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	-	-
<b>Fund Balances:</b>				
Restricted	-	663,617	533,260	310,412
Committed	-	-	-	-
Unassigned (deficit)	(68,358)	-	-	-
<b>Total fund balances</b>	<b>(68,358)</b>	<b>663,617</b>	<b>533,260</b>	<b>310,412</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 78,622</b>	<b>\$ 693,743</b>	<b>\$ 1,059,259</b>	<b>\$ 310,412</b>

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue			
	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
<b>ASSETS</b>				
Cash and investments	\$ 32,655	\$ 162,696	\$ 746,909	\$ 608,496
Receivables:				
Accounts	-	-	-	
Interest	3	14	51	73
Due from other governments	9,848	-	-	7,103
Due from other funds	-	-	103,100	-
<b>Total assets</b>	<b>\$ 42,506</b>	<b>\$ 162,710</b>	<b>\$ 850,060</b>	<b>\$ 615,672</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 15,615	\$ 7,613	\$ 45,339	\$ 16,404
Due to other funds	-	-	-	-
Deposits	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>15,615</b>	<b>7,613</b>	<b>45,339</b>	<b>16,404</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	-	-
<b>Fund Balances:</b>				
Restricted	26,891	-	804,721	599,268
Committed	-	155,097	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<b>26,891</b>	<b>155,097</b>	<b>804,721</b>	<b>599,268</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 42,506</b>	<b>\$ 162,710</b>	<b>\$ 850,060</b>	<b>\$ 615,672</b>

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue			
	County Service Area 152	Cabot's Museum	SLESF	Abandoned Vehicle Abatement
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 41,485	\$ -	\$ 19,819
Receivables:				
Accounts	52,395	-	-	-
Interest	-	-	3	3
Due from other governments	-	-	-	82,048
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 52,395</b>	<b>\$ 41,485</b>	<b>\$ 3</b>	<b>\$ 101,870</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,624	\$ 4,850	\$ -	\$ 2,653
Due to other funds	21,225	-	-	-
Deposits	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>26,849</b>	<b>4,850</b>	<b>-</b>	<b>2,653</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	0	-	-	76,033
<b>Fund Balances:</b>				
Restricted	25,546	36,635	3	23,184
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
<b>Total fund balances</b>	<b>25,546</b>	<b>36,635</b>	<b>3</b>	<b>23,184</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 52,395</b>	<b>\$ 41,485</b>	<b>\$ 3</b>	<b>\$ 101,870</b>

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue		Capital Projects	
	Community Development Block Grant	Capital Improvement Deposits	Assessment District 91-1	Assessment District 92-1
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 1,930,472	\$ 123,087	\$ 14,767
Receivables:				
Accounts	-	-	-	-
Interest	-	227	15	-
Due from other governments	35,631	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 35,631</b>	<b>\$ 1,930,699</b>	<b>\$ 123,102</b>	<b>\$ 14,767</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,462	\$ 79,702	\$ -	\$ -
Due to other funds	20,425	103,100	-	-
Deposits	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>27,887</b>	<b>182,802</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	35,631		-	-
<b>Fund Balances:</b>				
Restricted	-	1,747,897	123,102	14,767
Committed	-	-	-	-
Unassigned (deficit)	(27,887)	-	-	-
<b>Total fund balances</b>	<b>(27,887)</b>	<b>1,747,897</b>	<b>123,102</b>	<b>14,767</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 35,631</b>	<b>\$ 1,930,699</b>	<b>\$ 123,102</b>	<b>\$ 14,767</b>

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Capital Projects		Total Nonmajor Governmental Funds
	Assessment District 93-2	Capital Improvement	
<b>ASSETS</b>			
Cash and investments	\$ 10,453	\$ 546,017	\$ 5,987,577
Receivables:			
Accounts	-	-	52,395
Interest	-	-	564
Due from other governments	-	971,214	1,496,984
Due from other funds	-	-	103,100
<b>Total assets</b>	<b>\$ 10,453</b>	<b>\$ 1,517,231</b>	<b>\$ 7,640,620</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 11,990	\$ 563,905
Due to other funds	-	-	427,522
Deposits	-	217,988	217,988
Unearned revenue	-	200,000	253,680
<b>Total liabilities</b>	<b>-</b>	<b>429,978</b>	<b>1,463,095</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	-	971,214	1,082,878
<b>Fund Balances:</b>			
Restricted	10,453	116,039	5,035,795
Committed	-	-	155,097
Unassigned (deficit)	-	-	(96,245)
<b>Total fund balances</b>	<b>10,453</b>	<b>116,039</b>	<b>5,094,647</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,453</b>	<b>\$ 1,517,231</b>	<b>\$ 7,640,620</b>

(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, 2021**

	Special Revenue			
	Special Gas Tax	SB1 Road Maintenance and Rehabilitation	Municipal Lighting / Landscaping Assessment District	Measure A
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 896,340	\$ -
Permits and fees	-	-	-	-
Intergovernmental	672,644	544,140	-	630,472
Interest	-	619	895	32
<b>Total revenues</b>	<u>672,644</u>	<u>544,759</u>	<u>897,235</u>	<u>630,504</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Public works	529,091	142,984	1,717,389	-
Culture and leisure	-	-	-	-
Capital outlay	-	-	34,172	188,847
<b>Total expenditures</b>	<u>529,091</u>	<u>142,984</u>	<u>1,751,561</u>	<u>188,847</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>143,553</u>	<u>401,775</u>	<u>(854,326)</u>	<u>441,657</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	714,389	-
Transfers out	(166,205)	-	-	(182,441)
<b>Total other financing sources (uses)</b>	<u>(166,205)</u>	<u>-</u>	<u>714,389</u>	<u>(182,441)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(22,652)	401,775	(139,937)	259,216
<b>FUND BALANCES:</b>				
Beginning of year	(45,706)	261,842	673,197	51,196
End of year	<u>\$ (68,358)</u>	<u>\$ 663,617</u>	<u>\$ 533,260</u>	<u>\$ 310,412</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, 2021**

	Special Revenue			
	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
<b>REVENUES:</b>				
Taxes	\$ 38,729	\$ -	\$ -	\$ 233,270
Permits and fees	-	122,618	693,460	-
Intergovernmental	-	-	-	-
Interest	30	74	193	753
<b>Total revenues</b>	<u>38,759</u>	<u>122,692</u>	<u>693,653</u>	<u>234,023</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Public works	38,406	-	-	235,538
Culture and leisure	-	-	-	-
Capital outlay	-	22,639	53,180	-
<b>Total expenditures</b>	<u>38,406</u>	<u>22,639</u>	<u>53,180</u>	<u>235,538</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>353</u>	<u>100,053</u>	<u>640,473</u>	<u>(1,515)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	353	100,053	640,473	(1,515)
<b>FUND BALANCES:</b>				
Beginning of year	26,538	55,044	164,248	600,783
End of year	<u>\$ 26,891</u>	<u>\$ 155,097</u>	<u>\$ 804,721</u>	<u>\$ 599,268</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, 2021**

	Special Revenue			
	County Service Area 152	Cabot's Museum	SLESF	Abandoned Vehicle Abatement
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	-	-	-
Intergovernmental	128,318	-	156,727	42,526
Interest	-	-	36	49
<b>Total revenues</b>	<u>128,318</u>	<u>-</u>	<u>156,763</u>	<u>42,575</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	23,695
Public works	112,318	-	-	-
Culture and leisure	-	108,294	-	-
Capital outlay	-	-	-	38,377
<b>Total expenditures</b>	<u>112,318</u>	<u>108,294</u>	<u>-</u>	<u>62,072</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>16,000</u>	<u>(108,294)</u>	<u>156,763</u>	<u>(19,497)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	134,000	-	-
Transfers out	-	-	(181,760)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>134,000</u>	<u>(181,760)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	16,000	25,706	(24,997)	(19,497)
<b>FUND BALANCES:</b>				
Beginning of year	9,546	10,929	25,000	42,681
End of year	<u>\$ 25,546</u>	<u>\$ 36,635</u>	<u>\$ 3</u>	<u>\$ 23,184</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, 2021**

	Special Revenue		Capital Projects	
	Community Development Block Grant	Capital Improvement Deposits	Assessment District 91-1	Assessment District 92-1
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	794,999	-	-
Intergovernmental	31,793	-	-	-
Interest	-	2,842	147	-
<b>Total revenues</b>	<u>31,793</u>	<u>797,841</u>	<u>147</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay	57,600	660,516	-	-
<b>Total expenditures</b>	<u>57,600</u>	<u>660,516</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(25,807)</u>	<u>137,325</u>	<u>147</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	(100,000)	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(25,807)</u>	<u>37,325</u>	<u>147</u>	<u>-</u>
<b>FUND BALANCES:</b>				
Beginning of year	(2,080)	1,710,572	122,955	14,767
End of year	<u>\$ (27,887)</u>	<u>\$ 1,747,897</u>	<u>\$ 123,102</u>	<u>\$ 14,767</u>

**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, 2021**

	Capital Projects		Total Nonmajor Governmental Funds
	Assessment District 93-2	Capital Improvement	
<b>REVENUES:</b>			
Taxes	\$ -	\$ -	\$ 1,168,339
Permits and fees	-	-	1,611,077
Intergovernmental	-	1,367,033	3,573,653
Interest	-	-	5,670
<b>Total revenues</b>	<u>-</u>	<u>1,367,033</u>	<u>6,358,739</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	-	-	23,695
Public works	-	-	2,775,726
Culture and leisure	-	-	108,294
Capital outlay	-	458,405	1,513,736
<b>Total expenditures</b>	<u>-</u>	<u>458,405</u>	<u>4,421,451</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>908,628</u>	<u>1,937,288</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	980,196	1,828,585
Transfers out	-	-	(630,406)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>980,196</u>	<u>1,198,179</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>-</u>	<u>1,888,824</u>	<u>3,135,467</u>
<b>FUND BALANCES:</b>			
Beginning of year	10,453	(1,772,785)	1,959,180
End of year	<u>\$ 10,453</u>	<u>\$ 116,039</u>	<u>\$ 5,094,647</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 695,303	\$ 695,303	\$ 672,644	\$ (22,659)
<b>EXPENDITURES:</b>				
Current:				
Public works	497,809	529,098	529,091	7
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>197,494</u>	<u>166,205</u>	<u>143,553</u>	<u>(22,652)</u>
<b>OTHER FINANCING (USES):</b>				
Transfers out	(197,494)	(166,205)	(166,205)	-
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(22,652)</u>	<u>\$ (22,652)</u>
<b>FUND BALANCE:</b>				
Beginning of year			(45,706)	
End of year			<u>\$ (68,358)</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 502,727	\$ 544,141	\$ 544,140	\$ (1)
Interest	6,000	6,000	619	(5,381)
<b>Total revenues</b>	<u>508,727</u>	<u>550,141</u>	<u>544,759</u>	<u>(5,382)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>126,000</u>	<u>142,985</u>	<u>142,984</u>	<u>1</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ 382,727</u>	<u>\$ 407,156</u>	401,775	<u>\$ (5,381)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>261,842</u>	
End of year			<u>\$ 663,617</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 871,501	\$ 887,191	\$ 896,340	\$ 9,149
Interest	6,400	6,400	895	(5,505)
<b>Total revenues</b>	<u>877,901</u>	<u>893,591</u>	<u>897,235</u>	<u>3,644</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	1,850,294	2,055,504	1,717,389	338,115
Capital outlay	-	34,172	34,172	-
<b>Total expenditures</b>	<u>1,850,294</u>	<u>2,089,676</u>	<u>1,751,561</u>	<u>338,115</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(972,393)</u>	<u>(1,196,085)</u>	<u>(854,326)</u>	<u>341,759</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	644,389	714,389	714,389	-
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (328,004)</u>	<u>\$ (481,696)</u>	<u>(139,937)</u>	<u>\$ 341,759</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>673,197</u>	
End of year			<u>\$ 533,260</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 421,000	\$ 421,000	\$ 630,472	\$ 209,472
Interest	700	700	32	(668)
<b>Total revenues</b>	<u>421,700</u>	<u>421,700</u>	<u>630,504</u>	<u>208,804</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>233,400</u>	<u>233,400</u>	<u>188,847</u>	<u>44,553</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>188,300</u>	<u>188,300</u>	<u>441,657</u>	<u>253,357</u>
<b>OTHER FINANCING (USES):</b>				
Transfers out	<u>(200,000)</u>	<u>(182,441)</u>	<u>(182,441)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (11,700)</u>	<u>\$ 5,859</u>	<u>259,216</u>	<u>\$ 253,357</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>51,196</u>	
End of year			<u>\$ 310,412</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 38,900	\$ 38,900	\$ 38,729	\$ (171)
Interest	200	200	30	(170)
<b>Total revenues</b>	<u>39,100</u>	<u>39,100</u>	<u>38,759</u>	<u>(341)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>49,175</u>	<u>49,175</u>	<u>38,406</u>	<u>10,769</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (10,075)</u>	<u>\$ (10,075)</u>	353	<u>\$ 10,428</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>26,538</u>	
End of year			<u>\$ 26,891</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Permits and fees	\$ 40,000	\$ 40,000	\$ 122,618	\$ 82,618
Interest	500	500	74	(426)
<b>Total revenues</b>	<u>40,500</u>	<u>40,500</u>	<u>122,692</u>	<u>82,192</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>22,639</u>	<u>27,361</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (9,500)</u>	<u>\$ (9,500)</u>	100,053	<u>\$ 109,553</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>55,044</u>	
End of year			<u>\$ 155,097</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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Permits and fees	\$ 50,000	\$ 50,000	\$ 693,460	\$ 643,460
Interest	500	500	193	(307)
<b>Total revenues</b>	<u>50,500</u>	<u>50,500</u>	<u>693,653</u>	<u>643,153</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>100,000</u>	<u>266,000</u>	<u>53,180</u>	<u>212,820</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (49,500)</u>	<u>\$ (215,500)</u>	640,473	<u>\$ 855,973</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>164,248</u>	
End of year			<u>\$ 804,721</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 220,067	\$ 220,067	\$ 233,270	\$ 13,203
Interest	6,500	6,500	753	(5,747)
<b>Total revenues</b>	<u>226,567</u>	<u>226,567</u>	<u>234,023</u>	<u>7,456</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>540,778</u>	<u>540,778</u>	<u>235,538</u>	<u>305,240</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (314,211)</u>	<u>\$ (314,211)</u>	(1,515)	<u>\$ 312,696</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>600,783</u>	
End of year			<u>\$ 599,268</u>	

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**  
**County Service Area 152 (CS A-152) Special Revenue Fund**  
**For the Year Ended June 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 138,358	\$ 138,358	\$ 128,318	\$ (10,040)
Interest	25	25	-	(25)
<b>Total revenues</b>	<u>138,383</u>	<u>138,383</u>	<u>128,318</u>	<u>(10,065)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	<u>138,383</u>	<u>138,383</u>	<u>112,318</u>	<u>26,065</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	16,000	<u>\$ 16,000</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>9,546</u>	
End of year			<u>\$ 25,546</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES:</b>				
Current:				
Culture and leisure	\$ 134,000	\$ 134,000	\$ 108,294	\$ 25,706
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	134,000	134,000	134,000	-
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	25,706	<u>\$ 25,706</u>
<b>FUND BALANCE:</b>				
Beginning of year			10,929	
End of year			<u>\$ 36,635</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 156,727	\$ 6,727
Interest	-	-	36	36
<b>Total revenues</b>	<u>150,000</u>	<u>150,000</u>	<u>156,763</u>	<u>6,763</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(181,760)</u>	<u>(31,760)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(24,997)</u>	<u>\$ (24,997)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>25,000</u>	
End of year			<u>\$ 3</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 35,000	\$ 85,000	\$ 42,526	\$ (42,474)
Interest	-	-	49	49
<b>Total revenues</b>	<u>35,000</u>	<u>85,000</u>	<u>42,575</u>	<u>(42,425)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	35,000	35,000	23,695	11,305
Capital outlay	-	50,000	38,377	11,623
<b>Total expenditures</b>	<u>35,000</u>	<u>85,000</u>	<u>62,072</u>	<u>22,928</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	(19,497)	<u>\$ (19,497)</u>
<b>FUND BALANCE:</b>				
Beginning of year			42,681	
End of year			<u>\$ 23,184</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 277,560	\$ 277,560	\$ 31,793	\$ (245,767)
<b>EXPENDITURES:</b>				
Capital outlay	277,560	277,560	57,600	219,960
<b>NET CHANGES IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(25,807)</b>	<b>\$ (25,807)</b>
<b>FUND BALANCE:</b>				
Beginning of year			(2,080)	
End of year			\$ (27,887)	

**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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Permits and fees	\$ 1,147,000	\$ 1,188,325	\$ 794,999	\$ (393,326)
Interest	18,800	18,800	2,842	(15,958)
<b>Total revenues</b>	<u>1,165,800</u>	<u>1,207,125</u>	<u>797,841</u>	<u>(409,284)</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>497,097</u>	<u>871,132</u>	<u>660,516</u>	<u>210,616</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>668,703</u>	<u>335,993</u>	<u>137,325</u>	<u>(198,668)</u>
<b>OTHER FINANCING (USES):</b>				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ 568,703</u>	<u>\$ 235,993</u>	<u>37,325</u>	<u>\$ (198,668)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>1,710,572</u>	
End of year			<u>\$ 1,747,897</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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ 500	\$ 500	\$ 147	\$ (353)
<b>EXPENDITURES:</b>				
Public works	123,153	123,153	-	123,153
<b>NET CHANGES IN FUND BALANCE</b>	<b>\$ (122,653)</b>	<b>\$ (122,653)</b>	147	<b>\$ 122,800</b>
<b>FUND BALANCE:</b>				
Beginning of year			122,955	
End of year			<b>\$ 123,102</b>	

**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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 3,323,693	\$ 3,323,693	\$ 1,367,033	\$ (1,956,660)
<b>EXPENDITURES:</b>				
Capital outlay	3,323,693	3,369,864	458,405	2,911,459
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(46,171)	908,628	954,799
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	230,197	980,196	749,999
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 184,026</u>	1,888,824	<u>\$ 1,704,798</u>
<b>FUND BALANCE:</b>				
Beginning of year			(1,772,785)	
End of year			<u>\$ 116,039</u>	

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# INTERNAL SERVICE FUNDS

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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, 2021**

	Risk Management	Equipment Replacement	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 788,651	\$ 12,428	\$ 801,079
Total current assets	788,651	12,428	801,079
Capital assets:			
Depreciable, net	-	170,769	170,769
Total capital assets	-	170,769	170,769
<b>Total assets</b>	<b>788,651</b>	<b>183,197</b>	<b>971,848</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	7,072	-	7,072
Claims payable - due within one year	438,541	-	438,541
Total current liabilities	445,613	-	445,613
Noncurrent liabilities:			
Claims payable - due in more than one year	343,038	-	343,038
<b>Total noncurrent liabilities</b>	<b>343,038</b>	<b>-</b>	<b>343,038</b>
<b>Total liabilities</b>	<b>788,651</b>	<b>-</b>	<b>788,651</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	170,769	170,769
Unrestricted	-	12,428	12,428
<b>Total net position</b>	<b>\$ -</b>	<b>\$ 183,197</b>	<b>\$ 183,197</b>

**City of Desert Hot Springs**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2021**

	Risk Management	Equipment Replacement	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 379,007	\$ 136,816	\$ 515,823
Insurance recovery	13,353	-	13,353
<b>Total operating revenues</b>	<b>392,360</b>	<b>136,816</b>	<b>529,176</b>
<b>OPERATING EXPENSES:</b>			
Insurance and claims	450,646	-	450,646
Depreciation	-	123,360	123,360
<b>Total operating expenses</b>	<b>450,646</b>	<b>123,360</b>	<b>574,006</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(58,286)</b>	<b>13,456</b>	<b>(44,830)</b>
<b>NONOPERATING EXPENSES:</b>			
Interest expenses	-	(1,277)	(1,277)
<b>Total nonoperating expenses</b>	<b>-</b>	<b>(1,277)</b>	<b>(1,277)</b>
<b>Changes in net position</b>	<b>(58,286)</b>	<b>12,179</b>	<b>(46,107)</b>
<b>NET POSITION:</b>			
Beginning of year	58,286	171,018	229,304
End of year	<u>\$ -</u>	<u>\$ 183,197</u>	<u>\$ 183,197</u>

**City of Desert Hot Springs**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2021**

	Risk Management	Equipment Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from claims recoveries	\$ 13,353	\$ -	\$ 13,353
Receipts from use departments	379,007	136,816	515,823
Payments for insurance claims	(220,011)	-	(220,011)
<b>Net cash provided by operating activities</b>	<b>172,349</b>	<b>136,816</b>	<b>309,165</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on capital leases	-	(133,744)	(133,744)
Interest paid on capital leases	-	(1,277)	(1,277)
<b>Net cash used in capital and related financing activities</b>	<b>-</b>	<b>(135,021)</b>	<b>(135,021)</b>
<b>Net increase in cash and cash equivalents</b>	<b>172,349</b>	<b>1,795</b>	<b>174,144</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	616,302	10,633	626,935
End of year	\$ 788,651	\$ 12,428	\$ 801,079
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>			
<b>CASH PROVIDED USED IN OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (58,286)	\$ 13,456	\$ (44,830)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	123,360	123,360
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable	1,753	-	1,753
Increase (decrease) in claims payable	228,882	-	228,882
Total adjustments	230,635	123,360	353,995
<b>Net cash provided by operating activities</b>	<b>\$ 172,349</b>	<b>\$ 136,816</b>	<b>\$ 309,165</b>

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# CUSTODIAL FUNDS

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***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, 2021**

	Community Services Fund	Community Facilities District Skyborne Fund	Community Facilities District Fund	Gang Task Force Fund	Total
<b>ASSETS</b>					
Cash and investments	\$ 1,099,254	\$ 471,962	\$ 996,061	\$ 109,377	\$ 2,676,654
Cash with fiscal agent	-	108,998	-	-	108,998
Accounts receivable	-	2,780	63,880	-	66,660
Interest receivable	-	51	103	13	167
<b>Total assets</b>	<b>1,099,254</b>	<b>583,791</b>	<b>1,060,044</b>	<b>109,390</b>	<b>2,852,479</b>
<b>LIABILITIES</b>					
Accounts payable	148,844	1,747	16,965	-	167,556
Deposits payable	950,410	112,892	23,873	-	1,087,175
<b>Total liabilities</b>	<b>1,099,254</b>	<b>114,639</b>	<b>40,838</b>	<b>-</b>	<b>1,254,731</b>
<b>NET POSITION</b>					
Restricted for:					
Individuals, organization and other governments	\$ -	\$ 469,152	\$ 1,019,206	\$ 109,390	\$ 1,597,748

**City of Desert Hot Springs**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**June 30, 2021**

	Community Services Fund	Community Facilities District Skyborne Fund	Community Facilities District Fund	Gang Task Force Fund	Total
<b>ADDITIONS:</b>					
Assessment revenue collected	\$ -	\$ 223,393	\$ 484,046	\$ -	\$ 707,439
Investment income	-	431	743	154	1,328
<b>Total additions</b>	<b>-</b>	<b>223,824</b>	<b>484,789</b>	<b>154</b>	<b>708,767</b>
<b>DEDUCTIONS:</b>					
Interest expenses	-	71,115	-	-	71,115
Payment of special assessment district expenses	-	89,934	23,485	-	113,419
Payment of other organization expense	-	-	-	21,968	21,968
<b>Total deductions</b>	<b>-</b>	<b>161,049</b>	<b>23,485</b>	<b>21,968</b>	<b>206,502</b>
<b>Change in net position</b>	<b>-</b>	<b>62,775</b>	<b>461,304</b>	<b>(21,814)</b>	<b>502,265</b>
<b>NET POSITION:</b>					
Beginning of year, as restated (Note 13)	-	406,377	557,902	131,204	1,095,483
End of year	<b>\$ -</b>	<b>\$ 469,152</b>	<b>\$ 1,019,206</b>	<b>\$ 109,390</b>	<b>\$ 1,597,748</b>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2021, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2021.

**Internal Control Over Financial Reporting**

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

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

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

To the Honorable Mayor and Members of the City Council  
of the City of Desert Hot Springs  
Desert Hot Springs, California  
Page 2

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Santa Ana, California  
November 24, 2021