

# **City of Desert Hot Springs**

Desert Hot Springs, California

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

*For the Year Ended June 30, 2022*





**City of Desert Hot Springs**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**Table of Contents**

---

|   | <u><b>Page</b></u> |
|---|--------------------|
| <b>Independent Auditors' Reports on the Audit of the Financial Statements .....</b>   | <b>1</b>           |
| <b>Management's Discussion and Analysis (Required Supplementary Information) (Unaudited) .....</b>  | <b>5</b>           |
| <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<br>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,<br>Expenditures, and Changes in Fund Balances to the Government-Wide<br>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 .....  | 83                 |
| Public Safety Special Revenue Fund .....  | 84                 |
| American Recovery Act Special Revenue Fund.....   | 85                 |
| Notes to the Budgetary Comparison Schedules .....   | 87                 |
| Schedule of the City's Proportionate Share of the Net Pension Liabilities and<br>Related Ratios .....   | 88                 |
| Schedule of the City's Contributions – Pensions .....   | 90                 |

**City of Desert Hot Springs**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2022**

**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.....   | 95          |
| Nonmajor Governmental Funds:  |             |
| Combining Balance Sheet.....  | 98          |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....     | 104         |
| Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  |             |
| <i>Nonmajor Special Revenue Funds:</i>  |             |
| Special Gas Tax Special Revenue Fund.....   | 110         |
| SBI Road Maintenance and Rehabilitation Special Revenue Fund.....                     | 111         |
| Municipal Lighting / Landscaping Assessment District Special Revenue Fund.....        | 112         |
| Measure A Special Revenue Fund.....   | 113         |
| Air Quality Control Special Revenue Fund.....   | 114         |
| Art in Public Places Special Revenue Fund.....  | 115         |
| Quimby Act Special Revenue Fund.....  | 116         |
| Drainage Assessment District Special Revenue Fund.....                                | 117         |
| County Service Area 152 (CSA-152) Special Revenue Fund .....                          | 118         |
| Cabot's Museum Special Revenue Fund.....  | 119         |
| Supplemental Law Enforcement Service (SLESF) Special Revenue Fund.....                | 120         |
| Abandoned Vehicle Abatement Special Revenue Fund.....                                 | 121         |
| Community Development Block Grant Special Revenue Fund .....                          | 122         |
| Capital Improvement Deposits Special Revenue Fund .....                               | 123         |
| Housing Authority Special Revenue Fund .....  | 124         |
| Capital Improvement Capital Projects Fund.....  | 125         |
| Assessment District 91-1 Capital Projects Fund.....                                   | 126         |
| Internal Service Funds:   |             |
| Combining Statement of Net Position .....   | 129         |
| Combining Statement of Revenues, Expenses, and Changes in Net Position .....          | 130         |
| Combining Statement of Cash Flows .....   | 131         |
| Custodial Funds:  |             |
| Combining Statement of Fiduciary Net Position.....                                    | 135         |
| Combining Statement of Changes in Fiduciary Net Position .....                        | 136         |
| <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> .....                                       | 137         |

**INDEPENDENT AUDITORS' REPORT**[www.pungroup.cpa](http://www.pungroup.cpa)

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibility of Management for the Financial Statements***

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

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

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of the City's Proportionate Share of the Net Pension Liabilities and Related Ratios, and the Schedule of the City's Contributions – Pensions on pages 5 through 14 and pages 85 through 93 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining and Individual Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*The PwC Group, LLP*

Santa Ana, California  
June 8, 2023

*This page intentionally left blank.*



## **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, 2022.

### **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, 2022. 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 2021-2022 Highlights**

- The City's total net position was \$60,954,991 as of June 30, 2022;
- Consolidated General Fund (including Public Safety Fund) Revenue totaled \$27,854,983;
- Consolidated General Fund (including Public Safety Fund) Expenses totaled \$27,718,485;
- The fund balance in the Consolidated General Fund (including Public Safety Fund) increased by \$580,176 for a total of \$13,699,722;
- 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 21% 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 2021-2022 (not including cannabis related taxes) was up 21% over the prior fiscal year due to significant increases in Transient Occupancy Tax and Sales Tax;
- Marijuana related taxes increased by \$84,600 from FY 2020-2021 to FY 2021-2022 which is an increase of 2% over the prior year;
- The City is estimating that the construction of its new dispatch center will be completed in September 2022 and anticipates it to be operational by January 2023;
- The City's Finance Department implement a new financial operating system from OpenGov;
- The City implemented a Cannabis Facility Database in OpenGov;
- The Code Compliance Department launched an online application process for Cannabis Entertainment and Cannabis Hotel Regulatory permits;
- The City's Recreation Center has implemented several new programs, including;
  - A summer youth basketball program;
  - Silver Sneakers for the Fitness Center
  - Classes for karate, hula, yoga, Zumba, and VZN
  - Launched the Agents of Discovery app which is an educational platform which offers users to play reality mobile games at the local parks and hiking trails.
- The City issued \$15 million in lease revenue bonds for the construction of a new fire station, police building annex, and improvements to the Police Department building, Fire Station 37, and the Carl May 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 17-20 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. Starting with fiscal year 2021-2022, the City has reinstated the two year budget for the 2021-2022 and 2022-2023 fiscal years.

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

**Special Revenue Funds:** Special Gas Tax Fund, SB1 Road Maintenance and Rehab, Municipal Lighting and Landscaping Assessment Districts Funds (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 21-30 of this report.

### **Proprietary Funds**

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

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

The basic proprietary fund financial statements can be found on pages 31-35 of this report and the internal service funds can be found on pages 129-134 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 37-40 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 41-81 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the general fund. Required supplementary information can be found on pages 83-94 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 95-128 of this report.

## Government-wide Financial Analysis

The City's financial position and outlook continues to improve during the last fiscal year. Over the past year the City experienced a significant increase in tourists visiting the City which resulted in the Transient Occupancy Tax revenue reaching over the \$3 million mark for the first time ever. However, due to the drop in the wholesale price of cannabis, the retail cannabis tax decreased for fiscal year 2021-2022 and several new cannabis cultivation facilities in development were cancelled. City staff is performing a review of the City's cannabis regulations and cannabis industry and will provide recommendations for changes to the City Council.

Other major revenue changes occurred during fiscal year 2021-2022 in the following areas;

- Property Taxes increased from \$1,557,098 in FY 2020-2021 to \$1,914,429 in FY 2021-2022 approximately a 23% increase in tax revenue over the prior year. The increase was due to higher assessed property values from the development of vacant land in the City for houses, cannabis facilities, and other economic development.
- Transient Occupancy Taxes increased from \$2,490,646 in FY 2020-2021 to \$3,779,227 in FY 2021-2022 approximately a 52% increase from the prior year. This increase is due increased tourism to the City from the pent up demand after the COVID-19 restrictions.
- Sales Tax increased from \$2,305,456 in FY 2020-2021 to \$2,545,278 in FY 2021-2022, approximately a 10% increase over the prior year. The increase is due partially to the increase in sales activity from the increase in tourism and increased gas prices.
- Franchise Fees increased from \$2,037,301 in FY 2020-2021 to \$2,184,708 in FY 2021-2022 approximately a 7% increase over the prior year.
- Utility User Taxes increased from \$3,678,724 in FY 2020-2021 to \$3,867,466 in FY 2020-2021 approximately a 5% 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, 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. In January 2022, the City issued \$15 million in Lease Revenue Bonds. 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 \$60,954,991 as of June 30, 2022, in the Governmental activities and Business-type activities.

The largest portion of the City's net position, \$41,699,430, 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, 2022**

|  | Governmental activities |                       | Business-Type activities |             | Total                 |                       |
|--|-------------------------|-----------------------|--------------------------|-------------|-----------------------|-----------------------|
|  | 2022                    | 2021                  | 2022                     | 2021        | 2022                  | 2021                  |
| Current and other assets                   | \$ 37,966,548           | \$ 32,586,353         | \$ -                     | \$ -        | \$ 37,966,548         | \$ 32,586,353         |
| Capital assets                             | 85,040,832              | 68,188,286            | -                        | -           | 85,040,832            | 68,188,286            |
| <b>Total assets</b>                        | <b>\$ 123,007,380</b>   | <b>\$ 100,774,639</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 123,007,380</b> | <b>\$ 100,774,639</b> |
| Deferred outflow of resources              | \$ 4,208,413            | \$ 4,118,241          | \$ -                     | \$ -        | \$ 4,208,413          | \$ 4,118,241          |
| <b>Total deferred outflow of resources</b> | <b>\$ 4,208,413</b>     | <b>\$ 4,118,241</b>   | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 4,208,413</b>   | <b>\$ 4,118,241</b>   |
| Current liabilities                        | \$ 10,510,870           | \$ 6,087,010          | \$ -                     | \$ -        | \$ 10,510,870         | \$ 6,087,010          |
| Long-term liabilities                      | 49,898,296              | 40,986,135            | -                        | -           | 49,898,296            | 40,986,135            |
| <b>Total liabilities</b>                   | <b>\$ 60,409,166</b>    | <b>\$ 47,073,145</b>  | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 60,409,166</b>  | <b>\$ 47,073,145</b>  |
| Deferred inflow of resources               | \$ 5,851,790            | \$ 491,152            | \$ -                     | \$ -        | \$ 5,851,790          | \$ 491,152            |
| <b>Total deferred inflow of resources</b>  | <b>\$ 5,851,790</b>     | <b>\$ 491,152</b>     | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 5,851,790</b>   | <b>\$ 491,152</b>     |
| Net position                               |                         |                       |                          |             |                       |                       |
| Invested in capital assets                 | \$ 41,699,430           | \$ 52,003,583         | \$ -                     | \$ -        | \$ 41,699,430         | \$ 52,003,583         |
| Restricted                                 | 33,322,832              | 16,316,652            | -                        | -           | 33,322,832            | 16,316,652            |
| Unrestricted                               | (14,067,425)            | (10,991,652)          | -                        | -           | (14,067,425)          | (10,991,652)          |
| <b>Total net position</b>                  | <b>\$ 60,954,837</b>    | <b>\$ 57,328,583</b>  | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 60,954,837</b>  | <b>\$ 57,328,583</b>  |

An additional portion of the City's net position, \$33,322,986, represents resources that are subject to external restrictions on how they may be used. The unrestricted portion of the net position is negative \$14,067,425.

**TABLE 2**  
**City of Desert Hot Springs**  
**Changes in Net Position**  
**June 30, 2022**

|                                    | Governmental activities |                      | Business-Type activities |                       | Total                |                      |
|------------------------------------|-------------------------|----------------------|--------------------------|-----------------------|----------------------|----------------------|
|                                    | 2022                    | 2021                 | 2022                     | 2021                  | 2022                 | 2021                 |
| <b>Revenues</b>                    |                         |                      |                          |                       |                      |                      |
| Program revenues:                  |                         |                      |                          |                       |                      |                      |
| Charges for services               | \$ 5,945,888            | \$ 4,594,449         | \$ -                     | \$ 52,000             | \$ 5,945,888         | \$ 4,646,449         |
| Operating grants and contributions | 8,023,631               | 8,154,403            | -                        | -                     | 8,023,631            | 8,154,403            |
| Capital grants and contributions   | 5,439,166               | 4,510,888            | -                        | 5,570,406             | 5,439,166            | 10,081,294           |
| General revenues                   |                         |                      |                          |                       |                      |                      |
| Property taxes                     | 1,898,981               | 1,532,922            | -                        | -                     | 1,898,981            | 1,532,922            |
| Sales taxes                        | 5,262,718               | 4,828,708            | -                        | -                     | 5,262,718            | 4,828,708            |
| Transient occupancy taxes          | 3,779,227               | 2,490,646            | -                        | -                     | 3,779,227            | 2,490,646            |
| Other taxes                        | 7,528,954               | 7,283,944            | -                        | -                     | 7,528,954            | 7,283,944            |
| Investment income                  | (220,890)               | 56,140               | -                        | 3,715                 | (220,890)            | 59,855               |
| Miscellaneous                      | 728,395                 | 377,918              | -                        | -                     | 728,395              | 377,918              |
| Gain on sale of property           | 15,285                  | -                    | -                        | -                     | 15,285               | -                    |
| Transfers                          | -                       | -                    | -                        | (12,247,992)          | -                    | (12,247,992)         |
| <b>Total revenues</b>              | <b>\$ 38,401,355</b>    | <b>\$ 33,830,018</b> | <b>\$ -</b>              | <b>\$ (6,621,871)</b> | <b>\$ 38,401,355</b> | <b>\$ 27,208,147</b> |
| <b>Program expenses</b>            |                         |                      |                          |                       |                      |                      |
| General government                 | \$ 8,735,474            | \$ 9,371,053         | \$ -                     | \$ -                  | \$ 8,735,474         | \$ 9,371,053         |
| Public safety                      | 15,570,620              | 13,259,926           | -                        | -                     | 15,570,620           | 13,259,926           |
| Public works                       | 4,214,584               | 3,709,489            | -                        | -                     | 4,214,584            | 3,709,489            |
| Economic development               | 2,683,300               | 1,988,944            | -                        | -                     | 2,683,300            | 1,988,944            |
| Culture and leisure                | 2,104,395               | 1,903,404            | -                        | -                     | 2,104,395            | 1,903,404            |
| Interest and fiscal charges        | 1,469,995               | 1,301,428            | -                        | -                     | 1,469,995            | 1,301,428            |
| Health and wellness foundation     | -                       | -                    | -                        | 679,333               | -                    | 679,333              |
| <b>Total expenses</b>              | <b>\$ 34,778,368</b>    | <b>\$ 31,534,244</b> | <b>\$ -</b>              | <b>\$ 679,333</b>     | <b>\$ 34,778,368</b> | <b>\$ 32,213,577</b> |
| Change in net position             | 3,622,987               | 2,295,774            | -                        | (7,301,204)           | 3,622,987            | (5,005,430)          |
| Net position – beginning of year   | 57,331,850              | 55,036,076           | -                        | 7,301,204             | 57,331,850           | 62,337,280           |
| <b>Net position – end of year</b>  | <b>\$ 60,954,837</b>    | <b>\$ 57,331,850</b> | <b>\$ -</b>              | <b>\$ -</b>           | <b>\$ 60,954,837</b> | <b>\$ 57,331,850</b> |

The City's governmental activities total revenues were over \$38 million, while the total cost of all programs and services were approximately \$34.8 million. Operating grants and contributions were the largest revenue source at \$8 million (21% of the total revenue of the governmental activities). Other taxes were the second largest resource at \$7.5 million (20% of the total revenue of the governmental activities). The majority of these revenues consist of cannabis taxes. Charges for services were the third largest revenue source at approximately \$6 million (15% of the total revenue of the governmental activities).

### Governmental Activities

Public Safety expenses of \$15,570,620 comprise the largest component of government activities (45% of the total cost of governmental activities).

General Government expenses of \$8,735,474 (includes City Council, City Manager, City Attorney, City Clerk, Finance, Information Systems and Non-Departmental) were the second largest governmental activities (25% of the total cost of governmental activities).

Public Works expenses of \$4,214,584 were the third largest governmental activities (12% of the total cost of governmental activities).

Economic Development expenses of \$2,683,300 were the fourth largest governmental activities (8% 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 2021-2022, the fund balance assigned to operations was \$1,779,705 while total fund balance was \$13,468,895.

The General Fund balance increased by \$518,839 in 2021-2022. 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.
- The City has continued to see increased development over the past several years. 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, Code Compliance, Dispatch, Fire and Animal Control. The major outside revenue sources for this fund are parcel taxes and utility user taxes. These taxes were enacted specifically for the support of public safety within the City. The single largest revenue source is an interfund transfer from the General Fund. The transfer from the General Fund is to support the operating expenses that exceed the revenues earned in taxes, fines, fees, and other revenue items. Since this fund has a majority of its support from the General Fund, fund balance is kept at a minimum. Expenditures increased for the 2021-2022 fiscal year by over \$3,885,375. The increase was due to construction and start up costs for the new dispatch center. The additional expenses were covered by an increase in a transfer from the General Fund and a transfer from the American Recovery Act Fund.

### **American Recovery Act Fund**

This fund was established to account for the State and Local Agency Coronavirus Relief Funds provided to the City from the American Recovery Act. The City used over \$1.78 million to assist with the starting of the new dispatch center and about \$138,000 for a one-time premium pay for essential workers.

### **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, \$1,210,000 was paid for the required principal payment and \$1,302,933 was paid out in interest expense. This fund also includes the proceeds and related expenses for the Series 2021 Bonds that were issued in January 2022 for \$15,000,000 for the construction of a new fire station, police annex building, and improvements to the existing fire station and police department building. The fund balance at June 30, 2021 was \$19,640,521.

## Capital Assets

At the end of FY 2021-2022, the City had invested over \$67 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.

**Table 3**  
**City of Desert Hot Springs**  
**Capital Assets**  
**As of June 30, 2022**

|   | Governmental activities |                      | Business-Type activities |             | Total                |                      |
|---|-------------------------|----------------------|--------------------------|-------------|----------------------|----------------------|
|   | 2022                    | 2021                 | 2022                     | 2021        | 2022                 | 2021                 |
| Land  | \$ 2,958,094            | \$ 2,767,307         | \$ -                     | \$ -        | \$ 2,958,094         | \$ 2,767,307         |
| Construction in progress                          | 7,695,430               | 4,290,691            | -                        | -           | 7,695,430            | 4,290,691            |
| Building and improvements,<br>net of depreciation | 30,695,492              | 31,736,147           | -                        | -           | 30,695,492           | 31,736,147           |
| Machinery and equipment,<br>net of depreciation   | 4,906,299               | 5,004,804            | -                        | -           | 4,906,299            | 5,004,804            |
| Vehicles, net of depreciation                     | 1,260,664               | 902,634              | -                        | -           | 1,260,664            | 902,634              |
| Infrastructure, net of depreciation               | 20,245,850              | 22,096,320           | -                        | -           | 20,245,850           | 22,096,320           |
| <b>Total</b>                                      | <b>\$ 67,761,829</b>    | <b>\$ 66,797,903</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 67,761,829</b> | <b>\$ 66,797,903</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 \$44,427,786 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 January 2022, the City issued \$15,000,000 in the Series 2021A Leave Revenue Bonds for the construction and improvement of public safety facilities.

**Table 4**  
**City of Desert Hot Springs**  
**Long-Term Liabilities**  
**As of June 30, 2022**

|  | Governmental activities |                      | Business-Type activities |             | Total                |                      |
|--|-------------------------|----------------------|--------------------------|-------------|----------------------|----------------------|
|  | 2022                    | 2021                 | 2022                     | 2021        | 2022                 | 2021                 |
| 2020 Certificates of Participation         | 4,840,000               | 5,040,000            | -                        | -           | 4,840,000            | 5,040,000            |
| Lease Revenue Bonds Series 2017A           | 13,475,000              | 13,565,000           | -                        | -           | 13,475,000           | 13,565,000           |
| Taxable Lease Revenue Bonds Series 2017A-T | 60,000                  | 275,000              | -                        | -           | 60,000               | 275,000              |
| Lease Revenue Bonds Series 2018            | 6,450,000               | 6,575,000            | -                        | -           | 6,450,000            | 6,575,000            |
| Lease Revenue Bonds Series 2021A           | 14,255,000              | -                    | -                        | -           | 14,255,000           | -                    |
| Taxable Lease Revenue Bonds Series 2021A-T | 1,135,000               | -                    | -                        | -           | 1,135,000            | -                    |
| Bond discount - 2017A-T                    | (114)                   | (285)                | -                        | -           | (114)                | (285)                |
| Bond premium - 2017A                       | 148,922                 | 155,127              | -                        | -           | 148,922              | 155,127              |
| Bond premium - 2018                        | 257,692                 | 267,912              | -                        | -           | 257,692              | 267,912              |
| Bond premium - 2021A                       | 233,718                 | -                    | -                        | -           | 233,718              | -                    |
| Capital lease payment                      | 568,621                 | -                    | -                        | -           | 568,621              | -                    |
| Claims and judgments payable               | 581,380                 | 781,579              | -                        | -           | 581,380              | 781,579              |
| Compensated absences                       | 1,130,718               | 1,167,931            | -                        | -           | 1,130,718            | 1,167,931            |
| Pension-related debt                       | 1,291,849               | 1,525,390            | -                        | -           | 1,291,849            | 1,525,390            |
| <b>Total</b>                               | <b>\$ 44,427,786</b>    | <b>\$ 29,352,654</b> | <b>\$ -</b>              | <b>\$ -</b> | <b>\$ 44,427,786</b> | <b>\$ 29,352,654</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, however in 2022, the City experienced a decline in cannabis retail taxes. For FY 2021-2022, the City received \$84,600 in additional cannabis dispensary and cultivation tax revenues over 2020-2021.

**Table 5**  
**City of Desert Hot springs**  
**Marijuana Revenues**  
**As of June 30, 2022**

|                               | <u>Dispensary</u><br><u>2022</u> | <u>Cultivation</u><br><u>2022</u> | <u>Dispensary</u><br><u>2021</u> | <u>Cultivation</u><br><u>2021</u> | <u>Total</u><br><u>2022</u> | <u>Total</u><br><u>2021</u> |
|-------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Marijuana Dispensary Revenue  | \$ 2,131,761                     |                                   | \$ 2,693,884                     |                                   | \$ 2,131,761                | \$ 2,693,884                |
| Marijuana Cultivation Revenue |                                  | \$ 3,177,728                      |                                  | \$ 2,531,005                      | \$ 3,177,728                | \$ 2,531,005                |
| Total                         | <u>\$ 2,131,761</u>              | <u>\$ 3,177,728</u>               | <u>\$ 2,693,884</u>              | <u>\$ 2,531,005</u>               | <u>\$ 5,309,489</u>         | <u>\$ 5,224,889</u>         |

## Economic Factors

- Development activity had several increases due to additional commercial projects and housing developments within the City as discussed previously;
- For FY 2021-2022, Transient Occupancy Tax and Sales Tax revenues have surpassed pre-COVID levels.
- The City is still experiencing a steady growth in population and is considered the “Fastest Growing City in the Coachella Valley” with a population over 31,000 as of January 2022 and a growth rate of 7.5% since 2012;
- There has been significant growth in assessed values in the City with a 79.5% assessed value growth rate since 2013 and a 7.6% average annual growth rate.
- Home prices have grown nearly 200% since 2011 and during COVID, home values increased by 31% since 2021;
- The typical home value in the City is \$336,000 as of July 2021 and is one of the more affordable housing options than other cities in the Coachella Valley;
- 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, 2022 was \$5,077.587

## Request for Information

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

*This page intentionally left blank.*

---

# **BASIC FINANCIAL STATEMENTS**

---

*This page intentionally left blank.*

---

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

---

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Statement of Net Position**  
**June 30, 2022**

|  | Primary Government<br>Governmental<br>Activities |
|--|--|
| <b>ASSETS</b>                                      |  |
| Current assets:                                    |  |
| Cash and investments                               | \$ 29,037,015                                    |
| Receivables, net                                   | 8,782,131  |
| Prepaid items                                      | 62,312   |
| Property held for resale                           | 85,090   |
| Total current assets                               | <u>37,966,548</u>                                |
| Noncurrent assets:                                 |  |
| Cash and investments with fiscal agents            | 17,279,157                                       |
| Capital assets:                                    |  |
| Not being depreciated                              | 10,653,524                                       |
| Being depreciated, net                             | <u>57,108,305</u>                                |
| Total noncurrent assets                            | <u>85,040,986</u>                                |
| <b>Total assets</b>                                | <u><u>123,007,534</u></u>                        |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |  |
| Deferred loss on refunding                         | 353,133  |
| Deferred outflows of resources related to pensions | <u>3,855,280</u>                                 |
| <b>Total deferred outflows of resources</b>        | <u><u>4,208,413</u></u>                          |
| <b>LIABILITIES</b>                                 |  |
| Current liabilities:                               |  |
| Accounts payable and other liabilities             | \$ 3,184,497                                     |
| Deposits   | 2,291,619  |
| Interest payable                                   | 444,956  |
| Unearned revenues                                  | 2,449,635  |
| Long-term debt - due within one year               | <u>2,158,746</u>                                 |
| Total current liabilities                          | <u>10,529,453</u>                                |
| Noncurrent liabilities:                            |  |
| Long-term debt - due in more than one year         | 42,269,040                                       |
| Net pension liabilities                            | <u>7,629,256</u>                                 |
| Total noncurrent liabilities                       | <u>49,898,296</u>                                |
| <b>Total liabilities</b>                           | <u><u>60,427,749</u></u>                         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |  |
| Deferred inflows of resources related to pensions  | <u>5,851,790</u>                                 |
| <b>Total deferred inflows of resources</b>         | <u><u>5,851,790</u></u>                          |
| <b>NET POSITION</b>                                |  |
| Net investment in capital assets                   | 41,699,430                                       |
| Restricted for:                                    |  |
| Public safety                                      | 1,109,331  |
| Street maintenance and capital improvement         | 4,606,922  |
| Housing authority                                  | 4,943,915  |
| Debt service                                       | 19,640,675                                       |
| Lighting/Landscaping/Drainage                      | 1,253,543  |
| Park development and improvement                   | 1,098,975  |
| Assessment District 91-1                           | 123,214  |
| Assessment District 92-1                           | 14,772   |
| Assessment District 93-2                           | 10,457   |
| Other  | <u>521,182</u>                                   |
| Total restricted                                   | 33,322,986                                       |
| Unrestricted (deficit)                             | <u>(14,086,008)</u>                              |
| <b>Total net position</b>                          | <u><u>\$ 60,936,408</u></u>                      |

See accompanying Notes to the Basic Financial Statements.

**City of Desert Hot Springs**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

|                                  | Primary Government      |              |               |               |               |                |
|----------------------------------|-------------------------|--------------|---------------|---------------|---------------|----------------|
|                                  | Governmental Activities |              |               |               |               |                |
|                                  | Program Revenues        |              |               |               |               | Net (Expense)  |
|                                  |                         | Charges      | Operating     | Capital       | Total         | Revenue and    |
|                                  |                         | for          | Grants and    | Grants and    | Program       | Change in      |
| Functions/Programs               | Expenses                | Services     | Contributions | Contributions | Revenues      | Net Position   |
| General government               | \$ 8,735,474            | \$ 244,237   | \$ -          | \$ 1,923,796  | \$ 2,168,033  | \$ (6,567,441) |
| Public safety                    | 15,570,620              | 532,533      | 5,712,006     | 48,178        | 6,292,717     | (9,277,903)    |
| Public works                     | 4,214,584               | 926,993      | 1,502,179     | 3,448,609     | 5,877,781     | 1,663,197      |
| Economic development             | 2,683,300               | 2,564,973    | 770,041       | -             | 3,335,014     | 651,714        |
| Culture and leisure              | 2,104,395               | 1,677,152    | 39,405        | -             | 1,716,557     | (387,838)      |
| Interest and fiscal charges      | 1,469,995               | -            | -             | -             | -             | (1,469,995)    |
| Total governmental activities    | 34,778,368              | 5,945,888    | 8,023,631     | 5,420,583     | 19,390,102    | (15,388,266)   |
| Total primary government         | \$ 34,778,368           | \$ 5,945,888 | \$ 8,023,631  | \$ 5,420,583  | \$ 19,390,102 | (15,388,266)   |
| General revenues:                |                         |              |               |               |               |                |
| Taxes:                           |                         |              |               |               |               |                |
| Property taxes                   |                         |              |               |               |               | 1,898,981      |
| Sales taxes                      |                         |              |               |               |               | 5,262,718      |
| Dispensary taxes                 |                         |              |               |               |               | 2,131,761      |
| Cultivator taxes                 |                         |              |               |               |               | 3,177,728      |
| Vehicle in-lieu taxes            |                         |              |               |               |               | 34,757         |
| Franchise taxes                  |                         |              |               |               |               | 2,184,708      |
| Transient occupancy taxes        |                         |              |               |               |               | 3,779,227      |
| Total taxes                      |                         |              |               |               |               | 18,469,880     |
| Investment income (loss)         |                         |              |               |               |               | (220,735)      |
| Miscellaneous                    |                         |              |               |               |               | 728,394        |
| Gain on sale of property         |                         |              |               |               |               | 15,285         |
| Total general revenues           |                         |              |               |               |               | 18,992,824     |
| Change in net position           |                         |              |               |               |               | 3,604,558      |
| Net position - beginning of year |                         |              |               |               |               | 57,331,850     |
| Net position - end of year       |                         |              |               |               |               | \$ 60,936,408  |



---

# FUND FINANCIAL STATEMENTS

---

*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

*This page intentionally left blank.*

---

# GOVERNMENTAL FUND FINANCIAL STATEMENTS

---

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

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

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

***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, 2022**

|   |                      | Special Revenue Funds |                     |                      |
|---|----------------------|-----------------------|---------------------|----------------------|
|   | General              | Public                | American            | Debt Service         |
|   | Fund                 | Safety                | Recovery            | Fund                 |
|   |                      |                       | Act                 |                      |
| <b>ASSETS</b>                                 |                      |                       |                     |                      |
| Cash and investments                          | \$ 13,568,842        | \$ 1,337,128          | \$ 1,511,737        | \$ 1,906,371         |
| Cash and investments with fiscal agents       | -                    | -                     | -                   | 17,279,157           |
| Accounts receivable                           | 2,677,346            | 1,177,556             | -                   | 125,601              |
| Interest receivable                           | 5,378                | -                     | -                   | 1,020                |
| Notes receivable                              | -                    | -                     | -                   | -                    |
| Prepaid items                                 | 62,312               | -                     | -                   | -                    |
| Due from other governments                    | -                    | -                     | -                   | -                    |
| Due from other funds                          | 486,678              | -                     | -                   | 328,526              |
| Property held for resale                      | -                    | -                     | -                   | -                    |
| <b>Total assets</b>                           | <b>\$ 16,800,556</b> | <b>\$ 2,514,684</b>   | <b>\$ 1,511,737</b> | <b>\$ 19,640,675</b> |
| <b>LIABILITIES,</b>                           |                      |                       |                     |                      |
| <b>DEFERRED INFLOWS OF RESOURCES,</b>         |                      |                       |                     |                      |
| <b>AND FUND BALANCES</b>                      |                      |                       |                     |                      |
| <b>Liabilities:</b>                           |                      |                       |                     |                      |
| Accounts payable                              | \$ 1,215,003         | \$ 1,429,053          | \$ -                | \$ -                 |
| Due to other funds                            | -                    | -                     | -                   | -                    |
| Deposits                                      | 2,008,699            | 64,932                | -                   | -                    |
| Unearned revenue                              | -                    | 61,702                | 1,530,320           | -                    |
| <b>Total liabilities</b>                      | <b>3,223,702</b>     | <b>1,555,687</b>      | <b>1,530,320</b>    | <b>-</b>             |
| <b>Deferred Inflows of Resources:</b>         |                      |                       |                     |                      |
| Unavailable revenues                          | 107,959              | 728,170               | -                   | -                    |
| <b>Fund Balances:</b>                         |                      |                       |                     |                      |
| Nonspendable                                  | 62,312               | -                     | -                   | -                    |
| Restricted                                    | 455,254              | 230,827               | -                   | 19,640,675           |
| Committed                                     | 11,171,624           | -                     | -                   | -                    |
| Assigned                                      | 1,779,705            | -                     | -                   | -                    |
| Unassigned (deficit)                          | -                    | -                     | (18,583)            | -                    |
| <b>Total fund balances</b>                    | <b>13,468,895</b>    | <b>230,827</b>        | <b>(18,583)</b>     | <b>19,640,675</b>    |
| <b>Total liabilities, deferred inflows of</b> |                      |                       |                     |                      |
| <b>resources, and fund balances</b>           | <b>\$ 16,800,556</b> | <b>\$ 2,514,684</b>   | <b>\$ 1,511,737</b> | <b>\$ 19,640,675</b> |

**City of Desert Hot Springs**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2022**

|  | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------------------|--------------------------------|
| <b>ASSETS</b>  |                                   |                                |
| Cash and investments   | \$ 10,119,195                     | \$ 28,443,273                  |
| Cash and investments with fiscal agents  | -                                 | 17,279,157                     |
| Accounts receivable  | 945,908                           | 4,926,411                      |
| Interest receivable  | 3,310                             | 9,708                          |
| Notes receivable   | 3,374,172                         | 3,374,172                      |
| Prepaid items  | -                                 | 62,312                         |
| Due from other governments   | 471,840                           | 471,840                        |
| Due from other funds   | -                                 | 815,204                        |
| Property held for resale   | 85,090                            | 85,090                         |
| <b>Total assets</b>  | <b>\$ 14,999,515</b>              | <b>\$ 55,467,167</b>           |
| <b>LIABILITIES,<br/>DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b>   |                                   |                                |
| <b>Liabilities:</b>  |                                   |                                |
| Accounts payable   | \$ 536,962                        | \$ 3,181,018                   |
| Due to other funds   | 815,204                           | 815,204                        |
| Deposits   | 217,988                           | 2,291,619                      |
| Unearned revenue   | 857,613                           | 2,449,635                      |
| <b>Total liabilities</b>   | <b>2,427,767</b>                  | <b>8,737,476</b>               |
| <b>Deferred Inflows of Resources:</b>  |                                   |                                |
| Unavailable revenues   | 1,100,217                         | 1,936,346                      |
| <b>Fund Balances:</b>  |                                   |                                |
| Nonspendable   | -                                 | 62,312                         |
| Restricted   | 11,300,083                        | 31,626,839                     |
| Committed  | 435,180                           | 11,606,804                     |
| Assigned   | 244                               | 1,779,949                      |
| Unassigned (deficit)   | (263,976)                         | (282,559)                      |
| <b>Total fund balances</b>   | <b>11,471,531</b>                 | <b>44,793,345</b>              |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 14,999,515</b>              | <b>\$ 55,467,167</b>           |

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2022**

---

**Total Fund Balances - Total Governmental Funds** \$ 44,793,345

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

Capital assets, excluding the \$685,863 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 | 10,653,524        |            |
| Capital assets, being depreciated     | <u>56,422,442</u> | 67,075,966 |

|   |  |           |
|---|--|-----------|
| 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. |  | 1,936,346 |
|---|--|-----------|

|   |  |           |
|---|--|-----------|
| Interest expenses are recognized when due, and therefore, interest payable is not recorded in the governmental funds. |  | (444,956) |
|---|--|-----------|

Long-term liabilities, net of \$1,150,001 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 | 353,133             |              |
| Long-term liabilities      | <u>(43,277,785)</u> | (42,924,652) |

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 | 3,855,280          |             |
| Net pension liabilities        | (7,629,256)        |             |
| Deferred inflows of resources  | <u>(5,851,790)</u> | (9,625,766) |

|  |  |                |
|--|--|----------------|
| 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. |  | <u>126,125</u> |
|--|--|----------------|

|   |  |                             |
|---|--|-----------------------------|
| Net Position of Governmental Activities |  | <u><u>\$ 60,936,408</u></u> |
|---|--|-----------------------------|

**City of Desert Hot Springs**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

|   |                      | Special Revenue Funds |                       |                      |
|---|----------------------|-----------------------|-----------------------|----------------------|
|   | General Fund         | Public Safety         | American Recovery Act | Debt Service Fund    |
| <b>REVENUES:</b>                            |                      |                       |                       |                      |
| Taxes                                       | \$ 18,536,089        | \$ 5,317,718          | \$ -                  | \$ 1,378,897         |
| Permits and fees                            | 2,648,905            | 405,964               | -                     | -                    |
| Intergovernmental                           | 33,443               | 75,296                | 1,923,796             | -                    |
| Licenses                                    | 226,993              | 15,475                | -                     | -                    |
| Investment earning (loss)                   | (298,549)            | -                     | (18,583)              | (26,051)             |
| Miscellaneous                               | 487,982              | 405,667               | -                     | -                    |
| <b>Total revenues</b>                       | <b>21,634,863</b>    | <b>6,220,120</b>      | <b>1,905,213</b>      | <b>1,352,846</b>     |
| <b>EXPENDITURES:</b>                        |                      |                       |                       |                      |
| Current:                                    |                      |                       |                       |                      |
| General government                          | 6,279,923            | -                     | -                     | 13,500               |
| Public safety                               | 427,547              | 15,107,847            | -                     | -                    |
| Public works                                | 938,028              | -                     | -                     | -                    |
| Economic development                        | 2,369,622            | -                     | -                     | -                    |
| Culture and leisure                         | 1,187,709            | -                     | -                     | -                    |
| Capital outlay                              | -                    | 1,407,809             | -                     | -                    |
| Debt service:                               |                      |                       |                       |                      |
| Principal retirement                        | -                    | -                     | -                     | 1,210,000            |
| Interest and fiscal charges                 | -                    | -                     | -                     | 1,302,933            |
| <b>Total expenditures</b>                   | <b>11,202,829</b>    | <b>16,515,656</b>     | <b>-</b>              | <b>2,526,433</b>     |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <b>10,432,034</b>    | <b>(10,295,536)</b>   | <b>1,905,213</b>      | <b>(1,173,587)</b>   |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                      |                       |                       |                      |
| Issuance of long-term debt                  | -                    | -                     | -                     | 15,970,000           |
| Issuance premium                            | -                    | -                     | -                     | 239,042              |
| Transfers in                                | 118,988              | 10,356,873            | -                     | 737,695              |
| Transfers out                               | (10,032,183)         | -                     | (1,923,796)           | (520,199)            |
| <b>Total other financing sources (uses)</b> | <b>(9,913,195)</b>   | <b>10,356,873</b>     | <b>(1,923,796)</b>    | <b>16,426,538</b>    |
| <b>NET CHANGES IN FUND BALANCES</b>         | <b>518,839</b>       | <b>61,337</b>         | <b>(18,583)</b>       | <b>15,252,951</b>    |
| <b>FUND BALANCES:</b>                       |                      |                       |                       |                      |
| Beginning of year                           | 12,950,056           | 169,490               | -                     | 4,387,724            |
| End of year                                 | <u>\$ 13,468,895</u> | <u>\$ 230,827</u>     | <u>\$ (18,583)</u>    | <u>\$ 19,640,675</u> |



**City of Desert Hot Springs**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

|   | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------------------------|--------------------------------|
| <b>REVENUES:</b>                            |                                   |                                |
| Taxes                                       | \$ 1,146,729                      | \$ 26,379,433                  |
| Permits and fees                            | 2,868,324                         | 5,923,193                      |
| Intergovernmental                           | 3,192,370                         | 5,224,905                      |
| Licenses                                    | -                                 | 242,468                        |
| Investment earning (loss)                   | 7,418                             | (335,765)                      |
| Miscellaneous                               | 24,000                            | 917,649                        |
| <b>Total revenues</b>                       | <b>7,238,841</b>                  | <b>38,351,883</b>              |
| <b>EXPENDITURES:</b>                        |                                   |                                |
| Current:                                    |                                   |                                |
| General government                          | -                                 | 6,293,423                      |
| Public safety                               | 92,457                            | 15,627,851                     |
| Public works                                | 3,010,506                         | 3,948,534                      |
| Economic development                        | 317,026                           | 2,686,648                      |
| Culture and leisure                         | 114,446                           | 1,302,155                      |
| Capital outlay                              | 3,089,239                         | 4,497,048                      |
| Debt service:                               |                                   |                                |
| Principal retirement                        | -                                 | 1,210,000                      |
| Interest and fiscal charges                 | -                                 | 1,302,933                      |
| <b>Total expenditures</b>                   | <b>6,623,674</b>                  | <b>36,868,592</b>              |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <b>615,167</b>                    | <b>1,483,291</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                                   |                                |
| Issuance of long-term debt                  | -                                 | 15,970,000                     |
| Issuance premium                            | -                                 | 239,042                        |
| Transfers in                                | 1,847,247                         | 13,060,803                     |
| Transfers out                               | (584,625)                         | (13,060,803)                   |
| <b>Total other financing sources (uses)</b> | <b>1,262,622</b>                  | <b>16,209,042</b>              |
| <b>NET CHANGES IN FUND BALANCES</b>         | <b>1,877,789</b>                  | <b>17,692,333</b>              |
| <b>FUND BALANCES:</b>                       |                                   |                                |
| Beginning of year                           | 9,593,742                         | 27,101,012                     |
| End of year                                 | <b>\$ 11,471,531</b>              | <b>\$ 44,793,345</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, 2022**

---

**Net Change in Fund Balances - Total Governmental Funds** \$ 17,692,333

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

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

|   |           |
|---|-----------|
| Capital outlay, net of \$745,359 reported in Internal Service Funds | 4,494,986 |
| Net effect on disposal of capital assets                            | (1,734)   |

|  |             |
|--|-------------|
| Depreciation expense on capital assets, net of internal service fund depreciation expense of \$230,265 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. | (4,044,420) |
|--|-------------|

|   |        |
|---|--------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | 15,758 |
|---|--------|

|  |           |
|--|-----------|
| 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. | (152,455) |
|--|-----------|

|  |        |
|--|--------|
| 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. | 37,213 |
|--|--------|

|   |              |
|---|--------------|
| Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position. |              |
| Principal repayments of long-term debt  | 1,210,000    |
| Issuance of long-term debt  | (15,970,000) |
| Issuance premium  | (239,042)    |
| Changes in pension-related debt   | 233,541      |
|   | (14,765,501) |

|  |          |
|--|----------|
| 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   | 21,578   |
| Amortization of deferred charges on refunding  | (19,858) |
|  | 1,720    |

|   |         |
|---|---------|
| Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, net of \$2,142,423 pension contribution made after measurement date. | 383,730 |
|---|---------|

|  |          |
|--|----------|
| 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. | (57,072) |
|--|----------|

|  |                     |
|--|---------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$ 3,604,558</b> |
|--|---------------------|

---

# PROPRIETARY FUND FINANCIAL STATEMENTS

---

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

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

|  | Governmental<br>Activities |
|--|----------------------------|
|  | Internal<br>Service Funds  |
| <b>ASSETS</b>  |                            |
| Current assets:  |                            |
| Cash and investments                                   | \$ 593,742                 |
| Total current assets                                   | 593,742                    |
| Noncurrent assets:                                     |                            |
| Capital assets, being depreciated, net                 | 685,863                    |
| Total noncurrent assets                                | 685,863                    |
| <b>Total assets</b>                                    | <b>1,279,605</b>           |
| <b>LIABILITIES</b>                                     |                            |
| Current liabilities:                                   |                            |
| Accounts payable                                       | 3,479                      |
| Claims payable - due within one year                   | 331,161                    |
| Financing purchase payable - due within one year       | 159,583                    |
| Total current liabilities                              | 494,223                    |
| Noncurrent liabilities:                                |                            |
| Claims payable - due in more than one year             | 250,219                    |
| Financing purchase payable - due in more than one year | 409,038                    |
| Total noncurrent liabilities                           | 659,257                    |
| <b>Total liabilities</b>                               | <b>1,153,480</b>           |
| <b>NET POSITION</b>                                    |                            |
| Net investment in capital assets                       | 117,242                    |
| Unrestricted   | 8,883                      |
| <b>Total net position</b>                              | <b>\$ 126,125</b>          |

**City of Desert Hot Springs**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

|   | Governmental<br>Activities |
|---|----------------------------|
|   | Internal<br>Service Funds  |
| <b>OPERATING REVENUES:</b>                    |                            |
| Charges for services                          | \$ 193,348                 |
| Insurance recovery                            | 8,088                      |
| <b>Total operating revenues</b>               | <b>201,436</b>             |
| <b>OPERATING EXPENSES:</b>                    |                            |
| Insurance claims                              | 27,201                     |
| Depreciation                                  | 230,265                    |
| <b>Total operating expenses</b>               | <b>257,466</b>             |
| <b>OPERATING (LOSS)</b>                       | <b>(56,030)</b>            |
| <b>NONOPERATING REVENUES (EXPENSES):</b>      |                            |
| Gain on sale of property                      | 15,285                     |
| Interest expense                              | (16,327)                   |
| <b>Total nonoperating revenues (expenses)</b> | <b>(1,042)</b>             |
| <b>Change in net position</b>                 | <b>(57,072)</b>            |
| <b>NET POSITION:</b>                          |                            |
| Beginning of year                             | 183,197                    |
| End of year                                   | <b>\$ 126,125</b>          |

**City of Desert Hot Springs**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

|   | Governmental<br>Activities |
|---|----------------------------|
|   | Internal<br>Service Funds  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                            |
| Receipts from claims and recoveries   | \$ 8,088                   |
| Receipts from user departments  | 193,348                    |
| Payments for insurance claims   | (230,993)                  |
| <b>Net cash (used in) operating activities</b>  | <b>(29,557)</b>            |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES:</b>                      |                            |
| Acquisition of capital assets, net  | (36,696)                   |
| Proceeds from sale of assets, net   | 15,285                     |
| Principal paid  | (140,042)                  |
| Interest paid   | (16,327)                   |
| <b>Net cash (used in) capital and related financing activities</b>                        | <b>(177,780)</b>           |
| <b>Net decrease in cash and investments</b>   | <b>(207,337)</b>           |
| <b>CASH AND INVESTMENTS</b>   |                            |
| Beginning of year   | 801,079                    |
| End of year   | <b>\$ 593,742</b>          |
| <b>RECONCILIATION OF OPERATING (LOSS) TO NET<br/>CASH (USED IN) OPERATING ACTIVITIES:</b> |                            |
| Operating (loss)  | \$ (56,030)                |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities:      |                            |
| Depreciation expense  | 230,265                    |
| Increase (decrease) in accounts payable   | (3,593)                    |
| Increase (decrease) in claims payable   | (200,199)                  |
| Total adjustments   | 26,473                     |
| <b>Net cash (used in) operating activities</b>  | <b>\$ (29,557)</b>         |

*This page intentionally left blank.*



---

# FIDUCIARY FUND FINANCIAL STATEMENTS

---

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

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

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2022**

|  | Successor<br>Agency Private -<br>Purpose Trust<br>Fund | Custodial<br>Funds  |
|--|--|---------------------|
| <b>ASSETS</b>                                    |  |                     |
| Current assets:                                  |  |                     |
| Cash and investments                             | \$ 3,915,229   | \$ 3,037,677        |
| Accounts receivable                              | -  | 111,452             |
| Interest receivable                              | 1,456  | 760                 |
| Total current assets                             | <u>3,916,685</u>                                       | <u>3,149,889</u>    |
| Noncurrent assets:                               |  |                     |
| Investments with fiscal agents                   | 2,075,109  | 109,036             |
| Notes receivable                                 | 16,294   | -                   |
| Total noncurrent assets                          | <u>2,091,403</u>                                       | <u>109,036</u>      |
| <b>Total assets</b>                              | <u>6,008,088</u>                                       | <u>3,258,925</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |  |                     |
| Deferred loss on refundings                      | 1,145,307  | -                   |
| <b>Total deferred outflows of resources</b>      | <u>1,145,307</u>                                       | <u>-</u>            |
| <b>LIABILITIES</b>                               |  |                     |
| Current liabilities:                             |  |                     |
| Accounts payable                                 | 55   | 33,215              |
| Deposits payable                                 | -  | 1,149,007           |
| Interest payable                                 | 343,888  | -                   |
| Bonds payable - due within one year              | 2,792,595  | -                   |
| Total current liabilities                        | <u>3,136,538</u>                                       | <u>1,182,222</u>    |
| Noncurrent liabilities:                          |  |                     |
| Bonds payable - due in more than one year        | 20,071,429   | -                   |
| Total noncurrent liabilities                     | <u>20,071,429</u>                                      | <u>-</u>            |
| <b>Total liabilities</b>                         | <u>23,207,967</u>                                      | <u>1,182,222</u>    |
| <b>NET POSITION (DEFICIT)</b>                    |  |                     |
| Restricted for:                                  |  |                     |
| Held in trust                                    | (16,054,572)   | -                   |
| Individuals, organization, and other governments | -  | 2,076,703           |
| <b>Total net position (deficit)</b>              | <u>\$ (16,054,572)</u>                                 | <u>\$ 2,076,703</u> |

**City of Desert Hot Springs**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2022**

|  | Successor<br>Agency Private -<br>Purpose Trust<br>Fund | Custodial<br>Funds  |
|--|--|---------------------|
| <b>ADDITIONS:</b>  |  |                     |
| Redevelopment Property Tax Trust Fund                        | \$ 3,738,432   | \$ -                |
| Assessment revenue collected                                 | -  | 718,841             |
| Use of money and property                                    | 15,154   | (14,227)            |
| <b>Total additions</b>                                       | <u>3,753,586</u>                                       | <u>704,614</u>      |
| <b>DEDUCTIONS:</b>   |  |                     |
| Interest expense   | 1,090,782  | 64,076              |
| Administration   | 264,127  | -                   |
| Investment loss  | 72,355   | -                   |
| Recognized obligation payments to City of Desert Hot Springs | 736,628  | -                   |
| Payment of special assessment district expenses              | -  | 144,457             |
| Payment of other organization expenses                       | -  | 17,126              |
| <b>Total deductions</b>                                      | <u>2,163,892</u>                                       | <u>225,659</u>      |
| <b>Changes in net position</b>                               | 1,589,694  | 478,955             |
| <b>NET POSITION (DEFICIT):</b>                               |  |                     |
| Beginning of year  | (17,644,266)   | 1,597,748           |
| End of year  | <u>\$ (16,054,572)</u>                                 | <u>\$ 2,076,703</u> |

---

# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

---

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2022**

---

|  | <u><b>Page</b></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 .....                  | 49                 |
| D. Cash and Investments with Fiscal Agents .....                 | 49                 |
| E. Fair Value Measurement .....                                  | 49                 |
| F. Prepaid Items.....  | 49                 |
| G. Interfund Transactions.....                                   | 50                 |
| H. Property Held for Resale .....                                | 50                 |
| I. Capital Assets .....  | 50                 |
| J. Interest Payable .....  | 50                 |
| K. Unearned Revenue .....  | 50                 |
| L. Compensated Absences .....                                    | 51                 |
| M. Pension .....   | 51                 |
| N. Deferred Outflows/Inflows of Resources .....                  | 51                 |
| O. Long-Term Debt.....   | 51                 |
| P. Claims and Judgments.....                                     | 52                 |
| Q. Property Taxes.....   | 52                 |
| R. Net Position .....  | 52                 |
| S. Fund Balances .....   | 53                 |
| T. Spending Policy.....  | 53                 |
| U. Use of Estimates.....   | 54                 |
| V. Implementation of New GASB Pronouncement .....                | 54                 |
| <b>Note 2 – Cash and Investments .....</b>                       | <b>54</b>          |
| A. Demand Deposits .....   | 55                 |
| 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, 2022**

---

|  | <u><b>Page</b></u> |
|--|--------------------|
| <b>Note 6 – Long-Term Liabilities .....</b>  | <b>61</b>          |
| A. Governmental Activities.....  | 61                 |
| B. Fiduciary Activities .....  | 66                 |
| <b>Note 7 – Non-City Obligation Debt.....</b>  | <b>68</b>          |
| <b>Note 8 – Risk Management.....</b>   | <b>68</b>          |
| A. Coverage.....   | 68                 |
| B. Claims Activity .....   | 69                 |
| C. Adequacy of Protection .....  | 69                 |
| <b>Note 9 – Defined Benefit Pension Plan .....</b>   | <b>70</b>          |
| A. General Information about the Pension Plan.....   | 70                 |
| B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred<br>Inflows of Resources Related to Pensions..... | 71                 |
| <b>Note 10 – Jointly Governed Organization.....</b>  | <b>76</b>          |
| <b>Note 11 – Classification of Fund Balances .....</b>   | <b>77</b>          |
| <b>Note 12 – Net Investments in Capital Assets.....</b>  | <b>79</b>          |
| <b>Note 13 – Contingencies and Commitments .....</b>   | <b>79</b>          |
| A. Lawsuits .....  | 79                 |
| B. Federal and State Grant Programs.....   | 79                 |
| <b>Note 14 – Individual Fund Disclosure .....</b>  | <b>79</b>          |



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2022**

---

**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 repayments 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, 2022**

---

**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, 2022**

---

**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.

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

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

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

**Proprietary Fund Financial Statements**

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

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

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

**Fiduciary Fund Financial Statements**

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

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

***C. Cash, Cash Equivalents and Investments***

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

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

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

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

***G. Interfund Transactions***

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

***H. Property Held for Resale***

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

***I. Capital Assets***

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

***L. Compensated Absences***

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

***M. Pension***

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

The following timeframes are used for pension reporting:

|                    |                               |
|--------------------|-------------------------------|
| Valuation Date     | June 30, 2020                 |
| Measurement Date   | June 30, 2021                 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

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

***N. Deferred Outflows/Inflows of Resources***

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

**Deferred Outflows of Resources** represent a consumption of net position that apply to future periods.

**Deferred Inflows of Resources** represent an acquisition of net position that apply to future periods.

***O. Long-Term Debt***

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

***O. Long-Term Debt (Continued)***

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

***P. 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”).

***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.



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

**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.

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

***T. Spending Policy (Continued)***

*Governmental Fund Financial Statements (Continued)*

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 Pronouncements***

In June 2017, GASB issued Statement No. 87, Leases (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The effective date of GASB Statement No. 87 (as amended by GASB Statement No. 95) is for fiscal years beginning after June 15, 2021. The implementation GASB Statement No. 87 has no impact on the City's financials for the fiscal year ended June 30, 2022.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, Omnibus 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2022.

**Note 2 – Cash and Investments**

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents at June 30, 2022:

|   | Government-Wide<br>Statement<br>of Net Position<br>Governmental<br>Activities | Fiduciary Fund<br>Statement of<br>Net Position | Total         |
|---|---|--|---------------|
| Cash and investments                    | \$ 29,037,015   | \$ 6,952,906                                   | \$ 35,989,921 |
| Cash and investments with fiscal agents | 17,279,157  | 2,184,145                                      | 19,463,302    |
| Total cash and investments              | \$ 46,316,172   | \$ 9,137,051                                   | \$ 55,453,223 |

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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

Cash and investments consisted of the following at June 30, 2022:

|                            |                      |
|----------------------------|----------------------|
| Cash and Investments:      |                      |
| Petty cash                 | \$ 8,000             |
| Demand deposits            | 22,489,222           |
| Restricted cash            | 470,430              |
| Investments                | 32,485,571           |
| Total cash and investments | <u>\$ 55,453,223</u> |

**A. Demand Deposits**

The carrying amounts of the City's demand deposits were \$22,489,222 at June 30, 2022. Bank balances at that date were \$24,226,609, 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.

**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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**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, 2022, 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, 2022:

| Investment Type                                      | Value         | Fair Value Measurement         |   |
|--|---------------|--------------------------------|---|
|  |               | Observable Inputs<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) |
| Investments subject to fair value measurements:      |               |                                |   |
| Negotiable certificates of deposits                  | \$ 1,768,097  | \$ -                           | \$ 1,768,097  |
| U.S. Treasury notes                                  | 1,565,161     | 1,565,161                      | -   |
| U.S. government sponsored enterprise                 | 1,862,313     | -                              | 1,862,313   |
| Corporate notes and asset back securities            | 1,249,659     | -                              | 1,249,659   |
| Foreign notes  | 216,673       | -                              | 216,673   |
| Investments held with fiscal agents:                 |               |                                |   |
| U.S. Treasury notes                                  | 2,482,199     | 2,482,199                      | -   |
| U.S. government agency bonds                         | 495,129       | -                              | 495,129   |
| Total investments subject to fair value measurements | 9,639,231     | \$ 4,047,360                   | \$ 5,591,871  |
| Investments measured at amortized cost:              |               |                                |   |
| LAIF   | 6,287,079     |                                |   |
| Money market funds                                   | 88,463        |                                |   |
| Investments held with fiscal agents:                 |               |                                |   |
| Money market funds                                   | 16,470,798    |                                |   |
| Total investments                                    | \$ 32,485,571 |                                |   |

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, 2022**

**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, 2022, the City's investments had the following maturities:

| Investment Type                           | Amount               | Investment Maturities (in Years) |                     |                     |                     |                   |
|---|----------------------|----------------------------------|---------------------|---------------------|---------------------|-------------------|
|   |                      | Less than 1                      | 1 to 2              | 2 to 3              | 3 to 4              | 4 to 5            |
| Local Agency Investment Fund (LAIF)       | \$ 6,287,079         | \$ 6,287,079                     | \$ -                | \$ -                | \$ -                | \$ -              |
| Negotiable Certificates of deposits       | 1,768,097            | 45,121                           | 438,107             | 764,959             | 222,328             | 297,582           |
| Money market funds                        | 88,463               | 88,463                           | -                   | -                   | -                   | -                 |
| US Treasury notes                         | 1,565,161            | 268,993                          | 244,458             | 738,028             | 313,682             | -                 |
| U.S. government sponsored enterprise      | 1,862,313            | 765,481                          | 631,363             | 373,626             | 91,843              | -                 |
| Corporate notes and asset back securities | 1,249,659            | 399,518                          | 234,845             | 393,570             | 134,056             | 87,670            |
| Foreign notes                             | 216,673              | -                                | 88,307              | 128,366             | -                   | -                 |
| Investments held with fiscal agents:      |                      |                                  |                     |                     |                     |                   |
| US Treasury notes                         | 2,482,199            | 410,898                          | 2,071,301           | -                   | -                   | -                 |
| Money market mutual funds                 | 16,470,798           | 16,470,798                       |                     |                     |                     |                   |
| US government agency bonds                | 495,129              | -                                | -                   | -                   | 249,810             | 245,319           |
| Total                                     | <u>\$ 32,485,571</u> | <u>\$ 24,736,351</u>             | <u>\$ 3,708,381</u> | <u>\$ 2,398,549</u> | <u>\$ 1,011,719</u> | <u>\$ 630,571</u> |

*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<br>Credit Rating | Credit Rating | Percentage of<br>Investments<br>with Credit<br>Rate Risk |
|---|----------------------|--------------------------------|---------------|--|
| Local Agency Investment Fund (LAIF)       | \$ 6,287,079         | None                           | Not Rated     | 48.22%   |
| Negotiable Certificates of deposits       | 1,768,097            | None                           | A1            | 13.56%   |
| Money market funds                        | 88,463               | Aaa                            | Aaa           | 0.68%  |
| US Treasury notes                         | 1,565,161            | None                           | Aaa           | 12.01%   |
| U.S. government sponsored enterprise      | 1,862,313            | None                           | Aaa           | 14.28%   |
| Corporate notes and asset back securities | 1,249,659            | AA                             | Aaa/Aa/A      | 9.59%  |
| Foreign notes                             | 216,673              | AA                             | Aaa           | 1.66%  |
| Investments held with fiscal agents:      |                      |                                |               |  |
| US Treasury notes                         | 2,482,199            | N/A                            | Aaa           | N/A  |
| Money market mutual funds                 | 16,470,798           | N/A                            | Aaa           | N/A  |
| US government agency bonds                | 495,129              | N/A                            | Aaa           | N/A  |
| Total                                     | <u>\$ 32,485,571</u> |                                |               |  |

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**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, 2022, 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, 2022, the City had \$6,287,079 invested in LAIF, which had invested 1.88% 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, 2022 at amortized cost, which approximates fair value.

**Note 3 – Notes Receivable**

Notes receivable, which amounted to \$3,374,172, is reported in the Housing Authority Special Revenue Fund as follows:

|   |                     |
|---|---------------------|
| Housing Rehabilitation Loan Program     | \$ 424,172          |
| 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>\$ 3,374,172</b> |

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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

The former Redevelopment Agency of the City of Desert Hot Springs (“Redevelopment Agency”) operated a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. The outstanding balance of the loan at June 30, 2022 was \$424,172.

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

**Note 4 – Interfund Transactions**

**A. Due From/To Other Funds**

At June 30, 2022, the City had the following short-term interfund receivable/payable:

| Due to Other Funds          | Due from Other Funds |                   |            |
|-----------------------------|----------------------|-------------------|------------|
|                             | General Fund         | Debt Service Fund | Total      |
| Nonmajor Governmental Funds | \$ 486,678           | \$ 328,526        | \$ 815,204 |

The interfund balances resulted from temporary reclassifications made at June 30, 2022 to cover cash shortfalls.

**B. Transfers In/Out**

For the year ended June 30, 2022, the City had the following transfers in/out which arise in the normal course of operations:

| Transfers Out                              | Transfers In      |                                    |                   |                             |                     |
|--|-------------------|------------------------------------|-------------------|-----------------------------|---------------------|
|  | General Fund      | Public Safety Special Revenue Fund | Debt Service Fund | Nonmajor Governmental Funds | Total               |
| General Fund                               | \$ -              | \$ 8,304,341                       | \$ 414,357        | \$ 1,313,485                | \$10,032,183        |
| American Recovery Act Special Revenue Fund | 18,988            | 1,891,245                          | -                 | 13,563                      | 1,923,796           |
| Debt Service Fund                          | -                 | -                                  | -                 | 520,199                     | 520,199             |
| Nonmajor Governmental Funds                | 100,000           | 161,287                            | 323,338           | -                           | 584,625             |
| <b>Total</b>                               | <b>\$ 118,988</b> | <b>\$10,356,873</b>                | <b>\$ 737,695</b> | <b>\$ 1,847,247</b>         | <b>\$13,060,803</b> |

The transfer of \$8,304,341 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 \$414,357 to the Debt Service Fund was to fund debt service payments. The transfers of \$1,313,485 from General Fund to the Nonmajor Governmental Funds were budgeted transfers to provide funding for the expenditures of Citywide Lighting and Maintenance District and Cabot’s Museum.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 4 – Interfund Transactions (Continued)**

**B. Transfers In/Out (Continued)**

The transfer from American Act Special Revenue Fund to the General Fund of \$18,998 and to the Nonmajor Governmental Funds of \$13,563 was for COVID Pay. The transfer of \$1,891,245 to the Public Safety Special Revenue Fund was to fund the Public Safety premium pay and start up cost of building the community facility for Police Department.

The transfer of \$520,199 from Debt Service Fund to Nonmajor Governmental Funds was to cover cost for capital projects.

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

The transfers of \$161,287 from the Nonmajor Governmental Funds to the Public Safety Special Revenue Fund relates to assistance in funding public safety expenditures.

The transfers of \$323,338 from the Nonmajor Government Funds to the Debt Service Fund was to fund debt service payments.

**Note 5 – Capital Assets**

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2022 is as follows:

|  | Governmental Activities |                   |                   |             |                          |
|--|-------------------------|-------------------|-------------------|-------------|--------------------------|
|  | Balance<br>July 1, 2021 | Additions         | Deletions         | Transfers   | Balance<br>June 30, 2022 |
| <b>Nondepreciable assets:</b>                      |                         |                   |                   |             |                          |
| Land   | \$ 2,767,307            | \$ 146,642        | \$ -              | \$ 44,145   | \$ 2,958,094             |
| Construction in progress                           | 4,290,691               | 3,560,439         | -                 | (155,700)   | 7,695,430                |
| Total nondepreciable assets                        | 7,057,998               | 3,707,081         | -                 | (111,555)   | 10,653,524               |
| <b>Depreciable assets:</b>                         |                         |                   |                   |             |                          |
| Building and improvements                          | 44,963,492              | 18,291            | -                 | -           | 44,981,783               |
| Machinery and equipment                            | 13,856,407              | 646,578           | (32,562)          | -           | 14,470,423               |
| Vehicles   | 3,325,481               | 827,094           | (287,460)         | -           | 3,865,115                |
| Infrastructure                                     | 43,872,217              | 41,301            | -                 | 111,555     | 44,025,073               |
| Total capital assets, being depreciated            | 106,017,597             | 1,533,264         | (320,022)         | 111,555     | 107,342,394              |
| <b>Less accumulated depreciation:</b>              |                         |                   |                   |             |                          |
| Building and improvements                          | (13,227,345)            | (1,059,612)       | 666               | -           | (14,286,291)             |
| Machinery and equipment                            | (8,851,603)             | (745,083)         | 32,562            | -           | (9,564,124)              |
| Vehicles   | (2,422,847)             | (466,664)         | 285,060           | -           | (2,604,451)              |
| Infrastructure                                     | (21,775,897)            | (2,003,326)       | -                 | -           | (23,779,223)             |
| Total accumulated depreciation                     | (46,277,692)            | (4,274,685)       | 318,288           | -           | (50,234,089)             |
| Total depreciable assets, net                      | 59,739,905              | (2,741,421)       | (1,734)           | 111,555     | 57,108,305               |
| <b>Governmental activities capital assets, net</b> | <b>\$ 66,797,903</b>    | <b>\$ 965,660</b> | <b>\$ (1,734)</b> | <b>\$ -</b> | <b>\$ 67,761,829</b>     |



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 5 – Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2022 as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| General government                | \$ 2,635,148        |
| Public safety                     | 272,348             |
| Public works                      | 596,196             |
| Culture and leisure               | 540,728             |
| Internal service fund             | 230,265             |
| <b>Total depreciation expense</b> | <b>\$ 4,274,685</b> |

**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, 2022 is as follows:

|                                    | Balance<br>July 1, 2021 | Additions           | Deletions             | Balance<br>June 30, 2022 | Due within<br>One Year | Due in more<br>than One Year |
|------------------------------------|-------------------------|---------------------|-----------------------|--------------------------|------------------------|------------------------------|
| 2020 Certificates of Participation | \$ 5,040,000            | \$ -                | \$ (200,000)          | \$ 4,840,000             | \$ 200,000             | \$ 4,640,000                 |
| Lease Revenue Bonds Series 2017A   | 13,565,000              | -                   | (90,000)              | 13,475,000               | 255,000                | 13,220,000                   |
| Taxable Lease Revenue Bonds        |                         |                     |                       |                          |                        |                              |
| Series 2017A-T                     | 275,000                 | -                   | (215,000)             | 60,000                   | 60,000                 | -                            |
| Lease Revenue Bonds Series 2018    | 6,575,000               | -                   | (125,000)             | 6,450,000                | 130,000                | 6,320,000                    |
| Lease Revenue Bonds Series 2021A   | -                       | 14,835,000          | (580,000)             | 14,255,000               | 320,000                | 13,935,000                   |
| Taxable Lease Revenue Bonds        |                         |                     |                       |                          |                        |                              |
| Series 2021A-T                     | -                       | 1,135,000           | -                     | 1,135,000                | -                      | 1,135,000                    |
| Subtotal                           | 25,455,000              | 15,970,000          | (1,210,000)           | 40,215,000               | 965,000                | 39,250,000                   |
| Add/(less) deferred amounts:       |                         |                     |                       |                          |                        |                              |
| Bond discount - 2017A-T            | (285)                   | -                   | 171                   | (114)                    | (114)                  | -                            |
| Bond premium - 2017A               | 155,127                 | -                   | (6,205)               | 148,922                  | 6,205                  | 142,717                      |
| Bond premium - 2018                | 267,912                 | -                   | (10,220)              | 257,692                  | 10,220                 | 247,472                      |
| Bond premium - 2021A               | -                       | 239,042             | (5,324)               | 233,718                  | 8,030                  | 225,688                      |
| Total bonds payable                | 25,877,754              | 16,209,042          | (1,231,578)           | 40,855,218               | 989,341                | 39,865,877                   |
| Santander finance purchase         | -                       | 708,663             | (140,042)             | 568,621                  | 159,583                | 409,038                      |
| Claims and judgments payable       | 781,579                 | 76,419              | (276,618)             | 581,380                  | 331,161                | 250,219                      |
| Compensated absences               | 1,167,931               | 977,799             | (1,015,012)           | 1,130,718                | 339,215                | 791,503                      |
| Pension-related debt               | 1,525,390               | 96,820              | (330,361)             | 1,291,849                | 339,446                | 952,403                      |
| <b>Total</b>                       | <b>\$29,352,654</b>     | <b>\$18,068,743</b> | <b>\$ (2,993,611)</b> | <b>\$44,427,786</b>      | <b>\$ 2,158,746</b>    | <b>\$42,269,040</b>          |

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**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) defeased the 2012A Certificates, and 2) pay the costs incurred in connection with the execution, sale, and delivery of the Certificates. The City makes installment sale payments to the Authority, which are payable from Gas Tax revenues and Measure A receipts. The aggregate difference in debt service as result of the refinancing was \$1,699,086 and economic gain on the refinancing was \$873,318. The outstanding balance of the defeased 2012A Certificates at June 30, 2022 was \$4,680,000.

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, 2022, the outstanding balance of the 2020 Certificates was \$4,840,000. The annual debt service requirements on the 2020 Certificates are as follows:

| Year Ending June 30, | Principal           | Interest            | Total               |
|----------------------|---------------------|---------------------|---------------------|
| 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                 | 210,000             | 110,724             | 320,724             |
| 2028-2032            | 1,110,000           | 492,813             | 1,602,813           |
| 2033-2037            | 1,250,000           | 351,240             | 1,601,240           |
| 2038-2042            | 1,455,000           | 144,253             | 1,599,253           |
| Total                | <u>\$ 4,840,000</u> | <u>\$ 1,565,476</u> | <u>\$ 6,405,476</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, 2022**

**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, 2022, the outstanding balance of the Tax-Exempt Bonds and the Taxable Bonds were \$13,475,000 and \$60,000, 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     |
| 2023                 | \$ 255,000       | \$ 545,256   | \$ 60,000     | \$ 1,875 | \$ 315,000    | \$ 547,131   |
| 2024                 | 330,000          | 533,781      | -             | -        | 330,000       | 533,781      |
| 2025                 | 345,000          | 518,931      | -             | -        | 345,000       | 518,931      |
| 2026                 | 360,000          | 503,406      | -             | -        | 360,000       | 503,406      |
| 2027                 | 375,000          | 487,206      | -             | -        | 375,000       | 487,206      |
| 2028-2032            | 2,175,000        | 2,146,100    | -             | -        | 2,175,000     | 2,146,100    |
| 2033-2037            | 2,625,000        | 1,702,944    | -             | -        | 2,625,000     | 1,702,944    |
| 2038-2042            | 3,165,000        | 1,158,600    | -             | -        | 3,165,000     | 1,158,600    |
| 2043-2047            | 3,845,000        | 473,600      | -             | -        | 3,845,000     | 473,600      |
| Total                | \$ 13,475,000    | \$ 8,069,825 | \$ 60,000     | \$ 1,875 | \$ 13,535,000 | \$ 8,071,700 |

*Lease Revenue Bonds, Series 2018*

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

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

At June 30, 2022, the outstanding balance of the 2018 bonds were \$6,450,000. The annual debt service requirements on the 2018 bonds are as follows:

| Year Ending June 30, | Principal    | Interest     | Total         |
|----------------------|--------------|--------------|---------------|
| 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                 | 160,000      | 254,856      | 414,856       |
| 2028-2032            | 925,000      | 1,146,781    | 2,071,781     |
| 2033-2037            | 1,170,000    | 900,313      | 2,070,313     |
| 2038-2042            | 1,455,000    | 614,000      | 2,069,000     |
| 2043-2047            | 1,775,000    | 299,000      | 2,074,000     |
| 2048                 | 400,000      | 16,000       | 416,000       |
| Total                | \$ 6,450,000 | \$ 4,322,625 | \$ 10,772,625 |

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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

**A. Governmental Activities (Continued)**

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

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

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

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

At June 30, 2022, the outstanding balance of the Tax-Exempt Bonds and the Taxable Bonds were \$14,255,000 and \$1,135,000, respectively. The annual debt service requirements on the Bonds are as follows:

| Year Ending June 30, | Tax Exempt Bonds     |                     | Taxable Bonds       |                   | Total                |                     |
|----------------------|----------------------|---------------------|---------------------|-------------------|----------------------|---------------------|
|                      | Principal            | Interest            | Principal           | Interest          | Principal            | Interest            |
| 2023                 | \$ 320,000           | \$ 435,113          | \$ -                | \$ 39,725         | \$ 320,000           | \$ 474,838          |
| 2024                 | 235,000              | 425,513             | 95,000              | 39,725            | 330,000              | 465,238             |
| 2025                 | 240,000              | 416,113             | 100,000             | 36,400            | 340,000              | 452,513             |
| 2026                 | 250,000              | 406,513             | 105,000             | 32,900            | 355,000              | 439,413             |
| 2027                 | 265,000              | 396,513             | 105,000             | 29,225            | 370,000              | 425,738             |
| 2028-2032            | 1,465,000            | 1,816,563           | 600,000             | 87,500            | 2,065,000            | 1,904,063           |
| 2033-2037            | 2,355,000            | 1,479,513           | 130,000             | 4,550             | 2,485,000            | 1,484,063           |
| 2038-2042            | 2,875,000            | 1,089,719           | -                   | -                 | 2,875,000            | 1,089,719           |
| 2043-2047            | 3,285,000            | 683,788             | -                   | -                 | 3,285,000            | 683,788             |
| 2048-2051            | 2,965,000            | 206,800             | -                   | -                 | 2,965,000            | 206,800             |
| Total                | <u>\$ 14,255,000</u> | <u>\$ 7,356,144</u> | <u>\$ 1,135,000</u> | <u>\$ 270,025</u> | <u>\$ 15,390,000</u> | <u>\$ 7,626,169</u> |

*Santander Purchase Financing Agreement*

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

**A. Governmental Activities (Continued)**

*Santander Purchase Financing Agreement (Continued)*

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

At June 30, 2022, the outstanding balance of the purchase financing agreement were \$568,621. The annual debt service requirements on the purchase financing agreement are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-----------------------------|-------------------|------------------|-------------------|
| 2023                        | \$159,583         | \$12,423         | \$ 172,006        |
| 2024                        | 178,700           | 8,942            | 187,642           |
| 2025                        | 183,640           | 4,002            | 187,642           |
| 2026                        | 46,698            | 213              | 46,911            |
| Total                       | <u>\$ 568,621</u> | <u>\$ 25,580</u> | <u>\$ 594,201</u> |

*Claims and Judgments Payable*

The claims and judgments payable at June 30, 2022 was in the amount of \$581,380. 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 \$1,130,718 at June 30, 2022. The General Fund has been used to liquidate the majority of the liability for compensated absences.

*Pension-Related Debt*

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

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

**A. Governmental Activities (Continued)**

*Pension-Related Debt (Continued)*

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

The amount of pension-related debt outstanding at June 30, 2022 totaled \$1,291,849, including \$114,997 for the Miscellaneous Plan and \$1,176,852 for the Safety Plan. The future payment requirements are as follows:

| Year Ending June 30, | Miscellaneous     | Safety              | Total               |
|----------------------|-------------------|---------------------|---------------------|
| 2023                 | \$ 114,997        | \$ 224,449          | \$ 339,446          |
| 2024                 | -                 | 228,313             | 228,313             |
| 2025                 | -                 | 234,592             | 234,592             |
| 2026                 | -                 | 241,043             | 241,043             |
| 2027                 | -                 | 248,455             | 248,455             |
|                      | <u>\$ 114,997</u> | <u>\$ 1,176,852</u> | <u>\$ 1,291,849</u> |

**B. Fiduciary Activities**

A summary of changes in long-term liabilities for the fiduciary fund for the year ended June 30, 2022 is as follows:

|   | Balance<br>July 1, 2021 | Additions   | Deletions             | Balance<br>June 30, 2022 | Due within<br>One Year | Due in more<br>than One Year |
|---|-------------------------|-------------|-----------------------|--------------------------|------------------------|------------------------------|
| 2008 Tax Allocation Bonds A-1                         | \$ 5,755,000            | \$ -        | \$ (1,790,000)        | \$ 3,965,000             | \$ 1,915,000           | \$ 2,050,000                 |
| 2017 Tax Allocation Refunding Bonds                   | 18,115,000              | -           | (800,000)             | 17,315,000               | 840,000                | 16,475,000                   |
| Subtotal  | <u>23,870,000</u>       | <u>-</u>    | <u>(2,590,000)</u>    | <u>21,280,000</u>        | <u>2,755,000</u>       | <u>18,525,000</u>            |
| Add/(less) deferred amounts:                          |                         |             |                       |                          |                        |                              |
| Bond discount - 2008 TAB A-1                          | (128,693)               | -           | 58,765                | (69,928)                 | (58,765)               | (11,163)                     |
| Bond premium - 2017 Tax<br>Allocation Refunding Bonds | 1,750,312               | -           | (96,360)              | 1,653,952                | 96,360                 | 1,557,592                    |
| <b>Total bonds payable</b>                            | <u>\$25,491,619</u>     | <u>\$ -</u> | <u>\$ (2,627,595)</u> | <u>\$22,864,024</u>      | <u>\$ 2,792,595</u>    | <u>\$20,071,429</u>          |

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

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

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

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

**B. Fiduciary Activities (Continued)**

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

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

The Series 2008A-1 Bonds agreement requires the Successor Agency to pledge its annual tax revenues in an amount equal to at least 135% of the annual debt service requirement each fiscal year, through final maturity of the Series 2008A-1 Bonds on September 1, 2023 or early retirement of the Series 2008A-1 Bonds, whichever occurs first. Revenues received by the Successor Agency from the RPTTF have been pledged for the payment of principal and interest on these bonds. Principal and interest paid for the current year amounted to \$2,131,300 and total net revenue reported by the Successor Agency was \$3,738,432. The ratio of net revenues to the debt service payments due during the year ended June 30, 2022 was 1.75 (175%).

The outstanding balance of the Series 2008A-1 Bonds at June 30, 2022 totaled to \$3,965,000. The annual debt service requirements on the Series 2008A-1 Bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-----------------------------|---------------------|-------------------|---------------------|
| 2023                        | \$ 1,915,000        | \$ 210,525        | \$ 2,125,525        |
| 2024                        | 2,050,000           | 71,750            | 2,121,750           |
| Total                       | <u>\$ 3,965,000</u> | <u>\$ 282,275</u> | <u>\$ 4,247,275</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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

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

**B. Fiduciary Activities (Continued)**

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

The outstanding balance of the 2017 Bonds at June 30, 2022 was \$17,315,000. The annual debt service requirements on these bonds are as follows:

| Year Ending June 30, | Principal            | Interest            | Total                |
|----------------------|----------------------|---------------------|----------------------|
| 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                 | 1,000,000            | 567,763             | 1,567,763            |
| 2028-2032            | 5,815,000            | 2,015,438           | 7,830,438            |
| 2033-2037            | 4,945,000            | 718,269             | 5,663,269            |
| 2038-2040            | 1,940,000            | 77,688              | 2,017,688            |
| Total                | <u>\$ 17,315,000</u> | <u>\$ 6,054,681</u> | <u>\$ 23,369,681</u> |

**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, 2022 was \$1,855,797.

**Note 8 – Risk Management**

**A. Coverage**

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

*General Liability*

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



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**Note 8 – Risk Management (Continued)**

**A. Coverage (Continued)**

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.

**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, 2022, the amount of these liabilities was \$581,380 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<br>Ended<br>June 30, | Claims<br>Payable<br>July 1 | Claims Incurred<br>during the<br>Fiscal Year | Claims<br>Payments | Year<br>Ended<br>June 30 |
|---------------------------|-----------------------------|--|--------------------|--------------------------|
| 2020                      | \$ 230,843                  | \$ 436,106                                   | \$ (114,252)       | \$ 552,697               |
| 2021                      | 552,697                     | 423,770                                      | (194,888)          | 781,579                  |
| 2022                      | 781,579                     | 76,419                                       | (276,618)          | 581,380                  |

**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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**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, 2020, the following employees were covered by the benefit terms:

|                                      | Miscellaneous Plans |          |       | Safety Police Plans |          |       |
|--------------------------------------|---------------------|----------|-------|---------------------|----------|-------|
|                                      | 1st Tier            | 2nd Tier | PEPRA | 1st Tier            | 2nd Tier | PEPRA |
| Active employees                     | 12                  | 7        | 36    | 5                   | 3        | 18    |
| Transferred and terminated employee: | 24                  | 2        | 8     | 23                  | 4        | 7     |
| Separated                            | 33                  | 3        | 12    | 10                  | -        | 8     |
| Retired Employees and Beneficiaries  | 55                  | 1        | 1     | 66                  | 1        | 3     |
| Total                                | 124                 | 13       | 57    | 104                 | 8        | 36    |

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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**Note 9 – Defined Benefit Pension Plan (Continued)**

**A. General Information about the Pension Plan (Continued)**

*Benefit Provided (Continued)*

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%.

*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, 2021, the contribution rates were as follows:

| Plans                     | Active Employee<br>Contribution Rate | Employer<br>Contribution Rate |
|---------------------------|--------------------------------------|-------------------------------|
| Miscellaneous First Tier  | 8.000%                               | 14.194%                       |
| Miscellaneous Second Tier | 7.000%                               | 8.794%                        |
| Miscellaneous PEPRA       | 6.750%                               | 7.732%                        |
| Safety Police First Tier  | 9.000%                               | 27.008%                       |
| Safety Police Second Tier | 9.000%                               | 24.112%                       |
| Safety Police PEPRA       | 14.250%                              | 14.876%                       |

**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, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**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)***

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)*

|                                   |   |
|-----------------------------------|---|
| 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.

*Change of Assumption*

In 2021, 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:

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**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)***

*Long-term Expected Rate of Return Continued)*

| 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.

*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:

|                    | Plan's Net Pension Liability/(Asset) |                               |                            |
|--------------------|--------------------------------------|-------------------------------|----------------------------|
|                    | Discount Rate - 1% (6.15%)           | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
| Miscellaneous Plan | \$ 4,034,131                         | \$ 1,881,356                  | \$ 101,688                 |
| Safety Plan        | \$ 10,599,797                        | \$ 5,747,900                  | \$ 1,762,666               |

*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:

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**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)

|  | Increase (Decrease)                |                                   |                                  |
|--|------------------------------------|-----------------------------------|----------------------------------|
|  | Plan Total<br>Pension<br>Liability | Plan Fiduciary<br>Net<br>Position | Net Pension<br>Liability/(Asset) |
| <b>Miscellaneous Plan</b>              |                                    |                                   |                                  |
| Balance at: 6/30/20 (Valuation date)   | \$ 14,769,294                      | \$ 11,081,170                     | \$ 3,688,124                     |
| Balance at: 6/30/21 (Measurement date) | 16,305,084                         | 14,423,728                        | 1,881,356                        |
| Net Changes during 2020-2021           | 1,535,790                          | 3,342,558                         | (1,806,768)                      |

|  | Increase (Decrease)                |                                   |                                  |
|--|------------------------------------|-----------------------------------|----------------------------------|
|  | Plan Total<br>Pension<br>Liability | Plan Fiduciary<br>Net<br>Position | Net Pension<br>Liability/(Asset) |
| <b>Safety Plan</b>                     |                                    |                                   |                                  |
| Balance at: 6/30/20 (Valuation date)   | \$ 33,947,059                      | \$ 24,371,589                     | \$ 9,575,470                     |
| Balance at: 6/30/21 (Measurement date) | 36,044,471                         | 30,296,571                        | 5,747,900                        |
| Net Changes during 2020-2021           | 2,097,412                          | 5,924,982                         | (3,827,570)                      |

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, 2020). 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, 2021). 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, 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020-2021).
- (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.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**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)*

(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>         |               |
|---------------------|----------------------|---------------|
|                     | <b>Miscellaneous</b> | <b>Safety</b> |
| June 30, 2020       | 0.03390%             | 0.08801%      |
| June 30, 2021       | 0.03479%             | 0.10628%      |
| Change - (Decrease) | 0.00089%             | 0.01827%      |

For the year ended June 30, 2022, the City recognized pension expense in the amounts of \$505,470 and \$1,253,223 for the miscellaneous and safety plans, respectively.

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 2020-2021 measurement period is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired).

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**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)*

|  | 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                               | \$ 793,811                     | \$ -                          | \$ 1,348,612                   | \$ -                          | \$ 2,142,423                   | \$ -                          |
| Difference between expected and actual experience                              | 210,973                        | -                             | 1,106,404                      | -                             | 1,317,377                      | -                             |
| Difference between projected and actual earning on pension plan investments    | -                              | (1,642,319)                   | -                              | (3,854,414)                   | -                              | (5,496,733)                   |
| Adjustment due to differences in proportions                                   | 126,406                        | -                             | 106,055                        | -                             | 232,461                        | -                             |
| Difference between City contributions and proportionate share of contributions | 163,019                        | -                             | -                              | (355,057)                     | 163,019                        | (355,057)                     |
| Total  | <u>\$ 1,294,209</u>            | <u>\$ (1,642,319)</u>         | <u>\$ 2,561,071</u>            | <u>\$ (4,209,471)</u>         | <u>\$ 3,855,280</u>            | <u>\$ (5,851,790)</u>         |

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2022. 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 | Deferred Outflows/ (Inflows) of |                       |
|-------------|---------------------------------|-----------------------|
| June 30,    | Miscellaneous                   | Safety                |
| 2023        | \$ (88,575)                     | \$ (496,150)          |
| 2024        | (258,588)                       | (614,980)             |
| 2025        | (340,905)                       | (825,202)             |
| 2025        | (453,853)                       | (1,060,680)           |
|             | <u>\$ (1,141,921)</u>           | <u>\$ (2,997,012)</u> |

**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 \$118,497 during the year ended June 30, 2022. The audited financial statements of ERICA can be obtained at 100 Civic Center Mall, Indio, CA 92201.



**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**Note 10 – Jointly Governed Organization (Continued)**

*Eastern Riverside County Interoperable Communications Authority (Continued)*

On April 10, 2009, ERICA and three member agencies, including Indio, Palm Springs, and the City, entered into a reimbursement agreement relating to a municipal financing purchase agreement with Motorola, Inc., in the aggregate principal amount of \$5,557,603. The agreement obligates the three member agencies to pay 33.3% of the annual financing payments, as set forth in the municipal lease purchase agreement with Motorola, Inc. ERICA also entered into a reimbursement agreement with all member agencies, which obligates each member agency to pay 20% of the annual financing payments for a master logging recorder, in the aggregate principal amount of \$202,489. The City made payments of \$134,334 and \$4,059 for the Motorola and Master Logging Recorder respectively during the year ended June 30, 2022.

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

| Year Ending June 30, | Motorola Lease<br>Reimbursement | Master Logging<br>Recorder<br>Reimbursement | Lease<br>Reimbursement |
|----------------------|---------------------------------|---|------------------------|
| 2023                 | \$ 134,334                      | \$ 4,059                                    | \$ 138,393             |
| 2024                 | 134,334                         | 4,059                                       | 138,393                |
|                      | \$ 268,668                      | \$ 8,118                                    | \$ 276,786             |

**Note 11 – Classification of Fund Balances**

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

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

The assigned fund balance totaling \$1,779,705 is being held in the General Fund to fund the operations of the City for the fiscal year ending 2022-2023. Assigned fund balances encompass the portion of the net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The City Council has authorized the City Manager or designee for that purpose.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

**Note 11 – Classification of Fund Balances (Continued)**

At June 30, 2022, fund balances are classified as follows:

|                                  | <b>Major Funds</b>            |                   |                    |                      |                      |                      |
|----------------------------------|-------------------------------|-------------------|--------------------|----------------------|----------------------|----------------------|
|                                  | <b>Speacial Revenue Funds</b> |                   |                    |                      | <b>Nonmajor</b>      |                      |
|                                  | <b>General</b>                | <b>Public</b>     | <b>American</b>    | <b>Debt</b>          | <b>Governmental</b>  | <b>Total</b>         |
|                                  | <b>Fund</b>                   | <b>Safety</b>     | <b>Recovery</b>    | <b>Service</b>       | <b>Funds</b>         |                      |
|                                  |                               |                   | <b>Act</b>         | <b>Fund</b>          |                      |                      |
| <b>Nonspendable:</b>             |                               |                   |                    |                      |                      |                      |
| Prepaid items                    | \$ 62,312                     | \$ -              | \$ -               | \$ -                 | \$ -                 | \$ 62,312            |
| <b>Total nonspendable</b>        | <b>62,312</b>                 | <b>-</b>          | <b>-</b>           | <b>-</b>             | <b>-</b>             | <b>62,312</b>        |
| <b>Restricted:</b>               |                               |                   |                    |                      |                      |                      |
| Furbee settlement                | 455,254                       | -                 | -                  | -                    | -                    | 455,254              |
| Housing and economic development | -                             | -                 | -                  | -                    | 4,943,914            | 4,943,914            |
| Public safety                    | -                             | 230,827           | -                  | -                    | 114,752              | 345,579              |
| Public works/projects            | -                             | -                 | -                  | -                    | 3,803,399            | 3,803,399            |
| Culture and leisure              | -                             | -                 | -                  | -                    | 1,098,975            | 1,098,975            |
| Debt service                     | -                             | -                 | -                  | 19,640,675           | -                    | 19,640,675           |
| Lighting/Landscaping/Drainage    | -                             | -                 | -                  | -                    | 1,190,600            | 1,190,600            |
| Assessment District 91-1         | -                             | -                 | -                  | -                    | 123,214              | 123,214              |
| Assessment District 92-1         | -                             | -                 | -                  | -                    | 14,772               | 14,772               |
| Assessment District 93-2         | -                             | -                 | -                  | -                    | 10,457               | 10,457               |
| <b>Total restricted</b>          | <b>455,254</b>                | <b>230,827</b>    | <b>-</b>           | <b>19,640,675</b>    | <b>11,300,083</b>    | <b>31,626,839</b>    |
| <b>Committed:</b>                |                               |                   |                    |                      |                      |                      |
| Emergency Reserve                | 5,077,587                     | -                 | -                  | -                    | -                    | 5,077,587            |
| Reserve for capital use          | 1,523,509                     | -                 | -                  | -                    | -                    | 1,523,509            |
| Natural or Fiscal                |                               |                   |                    |                      |                      |                      |
| Emergency Reserve                | 4,570,528                     | -                 | -                  | -                    | -                    | 4,570,528            |
| Art in public place              | -                             | -                 | -                  | -                    | 375,991              | 375,991              |
| Cabot's Museum                   | -                             | -                 | -                  | -                    | 59,189               | 59,189               |
| <b>Total committed</b>           | <b>11,171,624</b>             | <b>-</b>          | <b>-</b>           | <b>-</b>             | <b>435,180</b>       | <b>11,606,804</b>    |
| <b>Assigned:</b>                 |                               |                   |                    |                      |                      |                      |
| Operations                       | 1,779,705                     | -                 | -                  | -                    | -                    | 1,779,705            |
| Cannabis control                 | -                             | -                 | -                  | -                    | 244                  | 244                  |
| <b>Total assigned</b>            | <b>1,779,705</b>              | <b>-</b>          | <b>-</b>           | <b>-</b>             | <b>244</b>           | <b>1,779,949</b>     |
| <b>Unassigned:</b>               | <b>-</b>                      | <b>-</b>          | <b>(18,583)</b>    | <b>-</b>             | <b>(263,976)</b>     | <b>(282,559)</b>     |
| <b>Total</b>                     | <b>\$ 13,468,895</b>          | <b>\$ 230,827</b> | <b>\$ (18,583)</b> | <b>\$ 19,640,675</b> | <b>\$ 11,471,531</b> | <b>\$ 44,793,345</b> |

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**Note 12 – Net Investment in Capital Assets**

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

|                                  | <b>Governmental<br/>Activities</b> |
|----------------------------------|------------------------------------|
| Total capital assets, net        | \$ 67,761,829                      |
| Unspent capital debt proceed     | 15,008,307                         |
| Deferred loss on refunding debt  | 353,133                            |
| Capital related debt             | (41,423,839)                       |
| Net investment in capital assets | <u>\$ 41,699,430</u>               |

**Note 13 – Contingencies and Commitments**

**A. Lawsuits**

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

**B. Federal and State Grant Programs**

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

**Note 14 – Individual Fund Disclosure**

Fund with deficit fund balances at June 30, 2022 are as follows:

|  | <b>Deficit</b> |
|--|----------------|
| Special Gas Tax Special Revenue Fund         | \$ (159,235)   |
| Air Quality Control Special Revenue Fund     | (2,862)        |
| County Service Area 152 Special Revenue Fund | (101,879)      |
| American Recovery Act Special Revenue Fund   | (18,583)       |

The City plans to eliminate the deficit fund balances with future grant revenues.

**City of Desert Hot Springs**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2022**

---

**Note 14 – Individual Fund Disclosure (Continued)**

The following funds exceeded appropriation amounts for the year ended June 30, 2022.

|  | <u>Expenditures</u> | <u>Appropriations</u> | <u>Expenditures<br/>in Excess of<br/>Appropriations</u> |
|--|---------------------|-----------------------|---|
| City Debt Service Fund                         | \$ 2,526,433        | \$ 2,399,517          | \$ (126,916)  |
| Special Gas Tax Special Revenue Fund           | 578,834             | 573,060               | (5,774)   |
| Air Quality Control Special Revenue Fund       | 68,195              | 64,000                | (4,195)   |
| Capital Improvement Fund Capital Projects Fund | 1,278,651           | 1,235,796             | (42,855)  |

---

## **REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

---

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedules**  
**General Fund**  
**For the Year Ended June 30, 2022**

|   | Budget Amounts      |                     | Actual               | Variance with         |
|---|---------------------|---------------------|----------------------|-----------------------|
|   | Original            | Final               | Amounts              | Final Budget          |
| <b>REVENUES:</b>                            |                     |                     |                      |                       |
| Taxes                                       | \$ 18,673,169       | \$ 19,003,169       | \$ 18,536,089        | \$ (467,080)          |
| Permits and fees                            | 2,440,000           | 2,990,000           | 2,648,905            | (341,095)             |
| Intergovernmental                           | 227,000             | 227,000             | 33,443               | (193,557)             |
| Licenses                                    | 180,000             | 180,000             | 226,993              | 46,993                |
| Interest                                    | 50,100              | 50,100              | (298,549)            | (348,649)             |
| Miscellaneous                               | 563,860             | 563,860             | 487,982              | (75,878)              |
| <b>Total revenues</b>                       | <u>22,134,129</u>   | <u>23,014,129</u>   | <u>21,634,863</u>    | <u>(1,379,266)</u>    |
| <b>EXPENDITURES:</b>                        |                     |                     |                      |                       |
| Current:                                    |                     |                     |                      |                       |
| General government                          | 7,288,207           | 7,590,608           | 6,279,923            | 1,310,685             |
| Public safety                               | 562,088             | 456,789             | 427,547              | 29,242                |
| Public works                                | 787,655             | 1,042,671           | 938,028              | 104,643               |
| Economic development                        | 2,555,536           | 2,862,349           | 2,369,622            | 492,727               |
| Culture and leisure                         | 1,042,705           | 1,166,898           | 1,187,709            | (20,811)              |
| <b>Total expenditures</b>                   | <u>12,236,191</u>   | <u>13,119,315</u>   | <u>11,202,829</u>    | <u>1,916,486</u>      |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <u>9,897,938</u>    | <u>9,894,814</u>    | <u>10,432,034</u>    | <u>537,220</u>        |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                     |                     |                      |                       |
| Transfers in                                | 100,000             | 118,988             | 118,988              | -                     |
| Transfers out                               | (2,039,899)         | (1,828,218)         | (10,032,183)         | (8,203,965)           |
| <b>Total other financing sources (uses)</b> | <u>(1,939,899)</u>  | <u>(1,709,230)</u>  | <u>(9,913,195)</u>   | <u>(8,203,965)</u>    |
| <b>Net changes in fund balance</b>          | <u>\$ 7,958,039</u> | <u>\$ 8,185,584</u> | 518,839              | <u>\$ (7,666,745)</u> |
| <b>FUND BALANCE:</b>                        |                     |                     |                      |                       |
| Beginning of year                           |                     |                     | 12,950,056           |                       |
| End of year                                 |                     |                     | <u>\$ 13,468,895</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, 2022**

|   | Budget Amounts         |                       | Actual              | Variance with       |
|---|------------------------|-----------------------|---------------------|---------------------|
|   | Original               | Final                 | Amounts             | Final Budget        |
| <b>REVENUES:</b>                            |                        |                       |                     |                     |
| Taxes                                       | \$ 5,526,627           | \$ 5,571,627          | \$ 5,317,718        | \$ (253,909)        |
| Permits and fees                            | 375,500                | 375,500               | 405,964             | 30,464              |
| Intergovernmental                           | 152,341                | 152,341               | 75,296              | (77,045)            |
| Licenses                                    | 12,000                 | 12,000                | 15,475              | 3,475               |
| Miscellaneous                               | 300,000                | 380,000               | 405,667             | 25,667              |
| <b>Total revenues</b>                       | <u>6,366,468</u>       | <u>6,491,468</u>      | <u>6,220,120</u>    | <u>(271,348)</u>    |
| <b>EXPENDITURES:</b>                        |                        |                       |                     |                     |
| Current:                                    |                        |                       |                     |                     |
| Public safety                               | 15,751,803             | 16,121,725            | 15,107,847          | 1,013,878           |
| Capital outlay                              | 1,483,555              | 1,565,732             | 1,407,809           | 157,923             |
| <b>Total expenditures</b>                   | <u>17,235,358</u>      | <u>17,687,457</u>     | <u>16,515,656</u>   | <u>1,171,801</u>    |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <u>(10,868,890)</u>    | <u>(11,195,989)</u>   | <u>(10,295,536)</u> | <u>900,453</u>      |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                        |                       |                     |                     |
| Transfers in                                | 150,200                | 2,041,444             | 10,356,873          | 8,315,429           |
| Transfers out                               | (193,348)              | (193,348)             | -                   | 193,348             |
| <b>Total other financing sources (uses)</b> | <u>(43,148)</u>        | <u>1,848,096</u>      | <u>10,356,873</u>   | <u>8,508,777</u>    |
| <b>Net changes in fund balance</b>          | <u>\$ (10,912,038)</u> | <u>\$ (9,347,893)</u> | 61,337              | <u>\$ 9,409,230</u> |
| <b>FUND BALANCE:</b>                        |                        |                       |                     |                     |
| Beginning of year                           |                        |                       | <u>169,490</u>      |                     |
| End of year                                 |                        |                       | <u>\$ 230,827</u>   |                     |



**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedules (Continued)**  
**American Recovery Act Special Revenue Fund**  
**For the Year Ended June 30, 2022**

|                                     | Budget Amounts |                     | Actual             | Variance with         |
|-------------------------------------|----------------|---------------------|--------------------|-----------------------|
|                                     | Original       | Final               | Amounts            | Final Budget          |
| <b>REVENUES:</b>                    |                |                     |                    |                       |
| Intergovernmental                   | \$ -           | \$ 3,454,116        | \$ 1,923,796       | \$ (1,530,320)        |
| Investment earning (loss)           | -              | -                   | (18,583)           | (18,583)              |
| <b>Total revenues</b>               | -              | 3,454,116           | 1,905,213          | (1,548,903)           |
| <b>OTHER FINANCING (USES):</b>      |                |                     |                    |                       |
| Transfers out                       | -              | (1,923,794)         | (1,923,796)        | (2)                   |
| <b>Total other financing (uses)</b> | -              | (1,923,794)         | (1,923,796)        | (2)                   |
| <b>NET CHANGE IN FUND BALANCE</b>   | <u>\$ -</u>    | <u>\$ 1,530,322</u> | (18,583)           | <u>\$ (1,548,905)</u> |
| <b>FUND BALANCE:</b>                |                |                     |                    |                       |
| Beginning of year                   |                |                     | -                  |                       |
| End of year                         |                |                     | <u>\$ (18,583)</u> |                       |

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited)**  
**Notes to the Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2022**

---

**Budgetary Information**

**A. General Budget Policies**

The City adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Budgets are developed in accordance with U.S. GAAP. The City Council approves each year's budget, submitted by the City Manager, prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. Budgeted amounts transferred between accounts are approved by the Administrative Services Director. Budgeted amounts transferred between departments are approved by the City Manager. Supplemental appropriations, where required during the period, are approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. At fiscal year-end, all unencumbered operating budget appropriations lapse, with the exception of continuing appropriations. All adopted budgets are presented for the year ended June 30, 2022. In fiscal year 2021-2022, no budget was adopted for the Department of Cannabis Control Special Revenue Fund, Assessment District 92-1 Capital Projects Fund, and Assessment District 93-2 Capital Projects Fund.

On June 1, 2021, the City Council approved and adopted the budget for fiscal year 2021-2022.

**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, 2022**

**Last Ten Fiscal Years**

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

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

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

|  | June 30, 2021  | June 30, 2020  | June 30, 2019  |
|--|----------------|----------------|----------------|
| City's Proportion of the Net Pension Liability   | 0.106280%      | 0.088006%      | 0.086341%      |
| City's Proportionate Share of the Net Pension Liability  | \$ 5,747,900   | \$ 9,575,470   | \$ 8,847,411   |
| City's Covered Payroll   | \$ 2,680,518   | \$ 2,589,732   | \$ 2,336,427   |
| City's Proportionate Share of the Net Pension Liability<br>as a Percentage of the Covered Payroll          | <u>214.43%</u> | <u>369.75%</u> | <u>378.67%</u> |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total Pension Liability | <u>100.84%</u> | <u>71.79%</u>  | <u>72.27%</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 Proportionate Share of the Net Pension Liabilities and Related Ratios (Continued)**  
**For the Year Ended June 30, 2022**

**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<br>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<br>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<br>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<br>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, 2022**

**Last Ten Fiscal Years**

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

| Fiscal year   | 2021-22 <sup>1</sup> | 2020-21 <sup>1</sup> | 2019-20 <sup>1</sup> | 2018-19      |
|---|----------------------|----------------------|----------------------|--------------|
| Actuarially Determined Contribution                                 | \$ 793,811           | \$ 692,622           | \$ 611,957           | \$ 496,387   |
| Contribution in Relation to the Actuarially Determined Contribution | (793,811)            | (692,622)            | (611,957)            | (496,387)    |
| Contribution Deficiency (Excess)                                    | \$ -                 | \$ -                 | \$ -                 | \$ -         |
| Covered Payroll <sup>2</sup>  | \$ 4,240,560         | \$ 4,127,066         | \$ 3,761,101         | \$ 2,959,267 |
| Contributions as a Percentage of Covered Payroll                    | 18.72%               | 16.78%               | 16.27%               | 16.77%       |

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

| Fiscal year   | 2021-22 <sup>1</sup> | 2020-21 <sup>1</sup> | 2019-20 <sup>1</sup> | 2018-19      |
|---|----------------------|----------------------|----------------------|--------------|
| Actuarially Determined Contribution                                 | \$ 1,348,612         | \$ 1,269,835         | \$ 1,093,535         | \$ 911,294   |
| Contribution in Relation to the Actuarially Determined Contribution | (1,348,612)          | (1,269,835)          | (1,093,535)          | (911,294)    |
| Contribution Deficiency (Excess)                                    | \$ -                 | \$ -                 | \$ -                 | \$ -         |
| Covered Payroll <sup>2</sup>  | \$ 2,754,232         | \$ 2,680,518         | \$ 2,589,732         | \$ 2,336,427 |
| Contributions as a Percentage of Covered Payroll                    | 48.97%               | 47.37%               | 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 2021, 2020, and 2019, no change in assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

**City of Desert Hot Springs**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the City's Contributions - Pensions (Continued)**  
**For the Year Ended June 30, 2022**

**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.

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

*This page intentionally left blank.*



---

## **SUPPLEMENTARY INFORMATION**

---

*This page intentionally left blank.*

**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, 2022**

|   | Budgeted Amounts   |                      | Actual               | Variance with     |
|---|--------------------|----------------------|----------------------|-------------------|
|   | Original           | Final                | Amounts              | Final Budget      |
| <b>REVENUES:</b>                            |                    |                      |                      |                   |
| Taxes                                       | \$ 1,200,000       | \$ 1,400,000         | \$ 1,378,897         | \$ (21,103)       |
| Investment earning (loss)                   | (18,000)           | (18,000)             | (26,051)             | (8,051)           |
| <b>Total revenues</b>                       | <u>1,182,000</u>   | <u>1,382,000</u>     | <u>1,352,846</u>     | <u>(29,154)</u>   |
| <b>EXPENDITURES:</b>                        |                    |                      |                      |                   |
| Current:                                    |                    |                      |                      |                   |
| General government                          | 13,000             | 13,000               | 13,500               | (500)             |
| Debt service:                               |                    |                      |                      |                   |
| Principal retirement                        | 630,000            | 630,000              | 1,210,000            | (580,000)         |
| Interest and fiscal charges                 | 1,657,362          | 1,756,517            | 1,302,933            | 453,584           |
| <b>Total expenditures</b>                   | <u>2,300,362</u>   | <u>2,399,517</u>     | <u>2,526,433</u>     | <u>(126,916)</u>  |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>   | <u>(1,118,362)</u> | <u>(1,017,517)</u>   | <u>(1,173,587)</u>   | <u>(156,070)</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                    |                      |                      |                   |
| Issuance of long-term debt                  | -                  | 15,970,000           | 15,970,000           | -                 |
| Issuance premium                            | -                  | 239,042              | 239,042              | -                 |
| Transfers in                                | 1,427,300          | 1,027,300            | 737,695              | (289,605)         |
| Transfers out                               | -                  | (1,212,822)          | (520,199)            | 692,623           |
| <b>Total other financing sources (uses)</b> | <u>1,427,300</u>   | <u>16,023,520</u>    | <u>16,426,538</u>    | <u>403,018</u>    |
| <b>NET CHANGES IN FUND BALANCE</b>          | <u>\$ 308,938</u>  | <u>\$ 15,006,003</u> | <u>15,252,951</u>    | <u>\$ 246,948</u> |
| <b>FUND BALANCE:</b>                        |                    |                      |                      |                   |
| Beginning of year                           |                    |                      | <u>4,387,724</u>     |                   |
| End of year                                 |                    |                      | <u>\$ 19,640,675</u> |                   |

---

# NONMAJOR GOVERNMENTAL FUNDS

---

## **SPECIAL REVENUE FUNDS:**

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

***SB1 Road Maintenance and Rehabilitation Special Revenue Fund*** - To account for revenue received from the State under the Road Repair and Accountability Act of 2017. The funding is used for street maintenance and rehabilitation needs.

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

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

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

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

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

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

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

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

---

# NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

---

## **SPECIAL REVENUE FUNDS (Continued):**

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

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

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

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

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

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

## **CAPITAL PROJECTS FUNDS:**

***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.

***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.

**City of Desert Hot Springs**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

|  | Special Revenue    |   |  |                   |
|--|--------------------|---|--|-------------------|
|  | Special<br>Gas Tax | SB1 Road<br>Maintenance<br>and Rehabilitation | Municipal<br>Lighting /<br>Landscaping<br>Assessment<br>District | Measure A         |
| <b>ASSETS</b>  |                    |   |  |                   |
| Cash and investments   | \$ 19,749          | \$ 873,910                                    | \$ 876,106   | \$ 491,153        |
| Accounts receivable  | -                  | -   | -  | -                 |
| Interest receivable  | -                  | 315   | 268  | 173               |
| Notes receivable   | -                  | -   | -  | -                 |
| Due from other governments   | 61,296             | 58,855  | 90,660   | 172,294           |
| Property held for resale   | -                  | -   | -  | -                 |
| <b>Total assets</b>  | <u>\$ 81,045</u>   | <u>\$ 933,080</u>                             | <u>\$ 967,034</u>  | <u>\$ 663,620</u> |
| <b>LIABILITIES,<br/>DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b>   |                    |   |  |                   |
| <b>Liabilities:</b>  |                    |   |  |                   |
| Accounts payable   | \$ 20,682          | \$ 23,938                                     | \$ 156,077   | \$ 23,777         |
| Due to other funds   | 219,598            | -   | 152,444  | -                 |
| Deposits   | -                  | -   | -  | -                 |
| Unearned revenue   | -                  | -   | -  | -                 |
| <b>Total liabilities</b>   | <u>240,280</u>     | <u>23,938</u>                                 | <u>308,521</u>   | <u>23,777</u>     |
| <b>Deferred Inflows of Resources:</b>  |                    |   |  |                   |
| Unavailable revenue  | -                  | -   | 62,942   | 55,785            |
| <b>Fund Balances:</b>  |                    |   |  |                   |
| Restricted   | -                  | 909,142                                       | 595,571  | 584,058           |
| Committed  | -                  | -   | -  | -                 |
| Assigned   | -                  | -   | -  | -                 |
| Unassigned (deficit)   | (159,235)          | -   | -  | -                 |
| <b>Total fund balances</b>   | <u>(159,235)</u>   | <u>909,142</u>                                | <u>595,571</u>   | <u>584,058</u>    |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <u>\$ 81,045</u>   | <u>\$ 933,080</u>                             | <u>\$ 967,034</u>  | <u>\$ 663,620</u> |

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

|  | Special Revenue        |                            |                     |                                    |
|--|------------------------|----------------------------|---------------------|------------------------------------|
|  | Air Quality<br>Control | Art in<br>Public<br>Places | Quimby<br>Act       | Drainage<br>Assessment<br>District |
| <b>ASSETS</b>  |                        |                            |                     |                                    |
| Cash and investments   | \$ 18,243              | \$ 375,852                 | \$ 1,234,347        | \$ 572,308                         |
| Accounts receivable  | -                      | -                          | -                   | -                                  |
| Interest receivable  | -                      | 139                        | 408                 | 232                                |
| Notes receivable   | -                      | -                          | -                   | -                                  |
| Due from other governments   | 9,895                  | -                          | -                   | 36,930                             |
| Property held for resale   | -                      | -                          | -                   | -                                  |
| <b>Total assets</b>  | <u>\$ 28,138</u>       | <u>\$ 375,991</u>          | <u>\$ 1,234,755</u> | <u>\$ 609,470</u>                  |
| <b>LIABILITIES,<br/>DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b>   |                        |                            |                     |                                    |
| <b>Liabilities:</b>  |                        |                            |                     |                                    |
| Accounts payable   | \$ 18,243              | \$ -                       | \$ 135,780          | \$ 14,440                          |
| Due to other funds   | 12,757                 | -                          | -                   | -                                  |
| Deposits   | -                      | -                          | -                   | -                                  |
| Unearned revenue   | -                      | -                          | -                   | -                                  |
| <b>Total liabilities</b>   | <u>31,000</u>          | <u>-</u>                   | <u>135,780</u>      | <u>14,440</u>                      |
| <b>Deferred Inflows of Resources:</b>  |                        |                            |                     |                                    |
| Unavailable revenue  | -                      | -                          | -                   | -                                  |
| <b>Fund Balances:</b>  |                        |                            |                     |                                    |
| Restricted   | -                      | -                          | 1,098,975           | 595,030                            |
| Committed  | -                      | 375,991                    | -                   | -                                  |
| Assigned   | -                      | -                          | -                   | -                                  |
| Unassigned (deficit)   | (2,862)                | -                          | -                   | -                                  |
| <b>Total fund balances</b>   | <u>(2,862)</u>         | <u>375,991</u>             | <u>1,098,975</u>    | <u>595,030</u>                     |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <u>\$ 28,138</u>       | <u>\$ 375,991</u>          | <u>\$ 1,234,755</u> | <u>\$ 609,470</u>                  |

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

|  | Special Revenue               |                   |   |                                   |
|--|-------------------------------|-------------------|---|-----------------------------------|
|  | County<br>Service<br>Area 152 | Cabot's<br>Museum | Supplemental<br>Law<br>Enforcement<br>Service<br>Fund | Abandoned<br>Vehicle<br>Abatement |
| <b>ASSETS</b>  |                               |                   |   |                                   |
| Cash and investments   | \$ 4,333                      | \$ 64,462         | \$ -  | \$ 109,625                        |
| Accounts receivable  | 127,426                       | -                 | -   | -                                 |
| Interest receivable  | -                             | -                 | 19  | 40                                |
| Notes receivable   | -                             | -                 | -   | -                                 |
| Due from other governments   | -                             | -                 | -   | 41,910                            |
| Property held for resale   | -                             | -                 | -   | -                                 |
| <b>Total assets</b>  | <u>\$ 131,759</u>             | <u>\$ 64,462</u>  | <u>\$ 19</u>  | <u>\$ 151,575</u>                 |
| <b>LIABILITIES,<br/>DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b>   |                               |                   |   |                                   |
| <b>Liabilities:</b>  |                               |                   |   |                                   |
| Accounts payable   | \$ 4,333                      | \$ 5,273          | \$ -  | \$ 1,260                          |
| Due to other funds   | 101,879                       | -                 | -   | -                                 |
| Deposits   | -                             | -                 | -   | -                                 |
| Unearned revenue   | -                             | -                 | -   | -                                 |
| <b>Total liabilities</b>   | <u>106,212</u>                | <u>5,273</u>      | <u>-</u>  | <u>1,260</u>                      |
| <b>Deferred Inflows of Resources:</b>  |                               |                   |   |                                   |
| Unavailable revenue  | <u>127,426</u>                | <u>-</u>          | <u>-</u>  | <u>35,582</u>                     |
| <b>Fund Balances:</b>  |                               |                   |   |                                   |
| Restricted   | -                             | -                 | 19  | 114,733                           |
| Committed  | -                             | 59,189            | -   | -                                 |
| Assigned   | -                             | -                 | -   | -                                 |
| Unassigned (deficit)   | (101,879)                     | -                 | -   | -                                 |
| <b>Total fund balances</b>   | <u>(101,879)</u>              | <u>59,189</u>     | <u>19</u>   | <u>114,733</u>                    |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <u>\$ 131,759</u>             | <u>\$ 64,462</u>  | <u>\$ 19</u>  | <u>\$ 151,575</u>                 |

(Continued)



**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

| Special Revenue  |   |                                    |                                      |                      |
|--|---|------------------------------------|--------------------------------------|----------------------|
|  | Community<br>Development<br>Block Grant | Capital<br>Improvement<br>Deposits | Department of<br>Cannabis<br>Control | Housing<br>Authority |
| <b>ASSETS</b>  |   |                                    |                                      |                      |
| Cash and investments   | \$ 6,495                                | \$ 2,163,205                       | \$ 657,613                           | \$ 1,484,101         |
| Accounts receivable  | -                                       | -                                  | -                                    | -                    |
| Interest receivable  | -                                       | 865                                | 244                                  | 552                  |
| Notes receivable   | -                                       | -                                  | -                                    | 3,374,172            |
| Due from other governments   | -                                       | -                                  | -                                    | -                    |
| Property held for resale   | -                                       | -                                  | -                                    | 85,090               |
| <b>Total assets</b>  | <b>\$ 6,495</b>                         | <b>\$ 2,164,070</b>                | <b>\$ 657,857</b>                    | <b>\$ 4,943,915</b>  |
| <b>LIABILITIES,<br/>DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b>   |   |                                    |                                      |                      |
| <b>Liabilities:</b>  |   |                                    |                                      |                      |
| Accounts payable   | \$ -                                    | \$ 52,041                          | \$ -                                 | \$ -                 |
| Due to other funds   | -                                       | -                                  | -                                    | -                    |
| Deposits   | -                                       | -                                  | -                                    | -                    |
| Unearned revenue   | -                                       | -                                  | 657,613                              | -                    |
| <b>Total liabilities</b>   | -                                       | 52,041                             | 657,613                              | -                    |
| <b>Deferred Inflows of Resources:</b>  |   |                                    |                                      |                      |
| Unavailable revenue  | -                                       | -                                  | -                                    | -                    |
| <b>Fund Balances:</b>  |   |                                    |                                      |                      |
| Restricted   | 6,495                                   | 2,112,029                          | -                                    | 4,943,915            |
| Committed  | -                                       | -                                  | -                                    | -                    |
| Assigned   | -                                       | -                                  | 244                                  | -                    |
| Unassigned (deficit)   | -                                       | -                                  | -                                    | -                    |
| <b>Total fund balances</b>   | 6,495                                   | 2,112,029                          | 244                                  | 4,943,915            |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <b>\$ 6,495</b>                         | <b>\$ 2,164,070</b>                | <b>\$ 657,857</b>                    | <b>\$ 4,943,915</b>  |

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

|  | Capital Projects               |                                |                                |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | Capital<br>Improvement<br>Fund | Assessment<br>District<br>91-1 | Assessment<br>District<br>92-1 | Assessment<br>District<br>93-2 |
| <b>ASSETS</b>  |                                |                                |                                |                                |
| Cash and investments   | \$ 1,019,305                   | \$ 123,168                     | \$ 14,767                      | \$ 10,453                      |
| Accounts receivable  | 818,482                        | -                              | -                              | -                              |
| Interest receivable  | -                              | 46                             | 5                              | 4                              |
| Notes receivable   | -                              | -                              | -                              | -                              |
| Due from other governments   | -                              | -                              | -                              | -                              |
| Property held for resale   | -                              | -                              | -                              | -                              |
| <b>Total assets</b>  | <u>\$ 1,837,787</u>            | <u>\$ 123,214</u>              | <u>\$ 14,772</u>               | <u>\$ 10,457</u>               |
| <b>LIABILITIES,<br/>DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b>   |                                |                                |                                |                                |
| <b>Liabilities:</b>  |                                |                                |                                |                                |
| Accounts payable   | \$ 81,118                      | \$ -                           | \$ -                           | \$ -                           |
| Due to other funds   | 328,526                        | -                              | -                              | -                              |
| Deposits   | 217,988                        | -                              | -                              | -                              |
| Unearned revenue   | 200,000                        | -                              | -                              | -                              |
| <b>Total liabilities</b>   | <u>827,632</u>                 | <u>-</u>                       | <u>-</u>                       | <u>-</u>                       |
| <b>Deferred Inflows of Resources:</b>  |                                |                                |                                |                                |
| Unavailable revenue  | 818,482                        | -                              | -                              | -                              |
| <b>Fund Balances:</b>  |                                |                                |                                |                                |
| Restricted   | 191,673                        | 123,214                        | 14,772                         | 10,457                         |
| Committed  | -                              | -                              | -                              | -                              |
| Assigned   | -                              | -                              | -                              | -                              |
| Unassigned (deficit)   | -                              | -                              | -                              | -                              |
| <b>Total fund balances</b>   | <u>191,673</u>                 | <u>123,214</u>                 | <u>14,772</u>                  | <u>10,457</u>                  |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <u>\$ 1,837,787</u>            | <u>\$ 123,214</u>              | <u>\$ 14,772</u>               | <u>\$ 10,457</u>               |

(Continued)

**City of Desert Hot Springs**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

|  | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--|
| <hr/>  |  |
| <b>ASSETS</b>  |  |
| Cash and investments   | \$ 10,119,195                              |
| Accounts receivable  | 945,908                                    |
| Interest receivable  | 3,310                                      |
| Notes receivable   | 3,374,172                                  |
| Due from other governments   | 471,840                                    |
| Property held for resale   | 85,090                                     |
| <b>Total assets</b>  | <u><u>\$ 14,999,515</u></u>                |
| <br><b>LIABILITIES,<br/>DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b> |  |
| <b>Liabilities:</b>  |  |
| Accounts payable   | \$ 536,962                                 |
| Due to other funds   | 815,204                                    |
| Deposits   | 217,988                                    |
| Unearned revenue   | 857,613                                    |
| <b>Total liabilities</b>   | <u>2,427,767</u>                           |
| <br><b>Deferred Inflows of Resources:</b>  |  |
| Unavailable revenue  | <u>1,100,217</u>                           |
| <br><b>Fund Balances:</b>  |  |
| Restricted   | 11,300,083                                 |
| Committed  | 435,180                                    |
| Assigned   | 244  |
| Unassigned (deficit)   | (263,976)                                  |
| <b>Total fund balances</b>   | <u>11,471,531</u>                          |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b>   | <u><u>\$ 14,999,515</u></u>                |

(Concluded)

**City of Desert Hot Springs**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2022**

|   | Special Revenue     |   |  |                   |
|---|---------------------|---|--|-------------------|
|   | Special<br>Gas Tax  | SB1 Road<br>Maintenance<br>and Rehabilitation | Municipal<br>Lighting /<br>Landscaping<br>Assessment<br>District | Measure A         |
| <b>REVENUES:</b>                              |                     |   |  |                   |
| Taxes   | \$ -                | \$ -  | \$ 877,666   | \$ -              |
| Permits and fees                              | -                   | -   | -  | -                 |
| Intergovernmental                             | 644,201             | 611,066                                       | -  | 624,150           |
| Investment earning (loss)                     | -                   | 744   | 643  | 358               |
| Miscellaneous                                 | -                   | -   | -  | -                 |
| <b>Total revenues</b>                         | <b>644,201</b>      | <b>611,810</b>                                | <b>878,309</b>   | <b>624,508</b>    |
| <b>EXPENDITURES:</b>                          |                     |   |  |                   |
| Current:                                      |                     |   |  |                   |
| Public safety                                 | -                   | -   | -  | -                 |
| Public works                                  | 578,834             | -   | 2,000,621  | -                 |
| Economic development                          | -                   | -   | -  | -                 |
| Culture and leisure                           | -                   | -   | -  | -                 |
| Capital outlay                                | -                   | 366,285                                       | -  | 189,193           |
| <b>Total expenditures</b>                     | <b>578,834</b>      | <b>366,285</b>                                | <b>2,000,621</b>   | <b>189,193</b>    |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>65,367</b>       | <b>245,525</b>                                | <b>(1,122,312)</b>   | <b>435,315</b>    |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                     |   |  |                   |
| Transfers in                                  | 5,425               | -   | 1,184,623  | -                 |
| Transfers out                                 | (161,669)           | -   | -  | (161,669)         |
| <b>Total other financing sources (uses)</b>   | <b>(156,244)</b>    | <b>-</b>                                      | <b>1,184,623</b>   | <b>(161,669)</b>  |
| <b>NET CHANGES IN FUND BALANCES</b>           | <b>(90,877)</b>     | <b>245,525</b>                                | <b>62,311</b>  | <b>273,646</b>    |
| <b>FUND BALANCES (DEFICIT):</b>               |                     |   |  |                   |
| Beginning of year                             | (68,358)            | 663,617                                       | 533,260  | 310,412           |
| End of year                                   | <u>\$ (159,235)</u> | <u>\$ 909,142</u>                             | <u>\$ 595,571</u>  | <u>\$ 584,058</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, 2022**

|   | Special Revenue        |                            |                     |                                    |
|---|------------------------|----------------------------|---------------------|------------------------------------|
|   | Air Quality<br>Control | Art in<br>Public<br>Places | Quimby<br>Act       | Drainage<br>Assessment<br>District |
| <b>REVENUES:</b>                              |                        |                            |                     |                                    |
| Taxes   | \$ 38,430              | \$ -                       | \$ -                | \$ 230,633                         |
| Permits and fees                              | -                      | 221,905                    | 905,754             | -                                  |
| Intergovernmental                             | -                      | -                          | -                   | -                                  |
| Investment earning (loss)                     | 12                     | 289                        | 1,015               | 559                                |
| Miscellaneous                                 | -                      | -                          | -                   | -                                  |
| <b>Total revenues</b>                         | <b>38,442</b>          | <b>222,194</b>             | <b>906,769</b>      | <b>231,192</b>                     |
| <b>EXPENDITURES:</b>                          |                        |                            |                     |                                    |
| Current:                                      |                        |                            |                     |                                    |
| Public safety                                 | -                      | -                          | -                   | -                                  |
| Public works                                  | 68,195                 | -                          | -                   | 235,430                            |
| Economic development                          | -                      | -                          | -                   | -                                  |
| Culture and leisure                           | -                      | -                          | -                   | -                                  |
| Capital outlay                                | -                      | 1,300                      | 612,515             | -                                  |
| <b>Total expenditures</b>                     | <b>68,195</b>          | <b>1,300</b>               | <b>612,515</b>      | <b>235,430</b>                     |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(29,753)</b>        | <b>220,894</b>             | <b>294,254</b>      | <b>(4,238)</b>                     |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                        |                            |                     |                                    |
| Transfers in                                  | -                      | -                          | -                   | -                                  |
| Transfers out                                 | -                      | -                          | -                   | -                                  |
| <b>Total other financing sources (uses)</b>   | <b>-</b>               | <b>-</b>                   | <b>-</b>            | <b>-</b>                           |
| <b>NET CHANGES IN FUND BALANCES</b>           | <b>(29,753)</b>        | <b>220,894</b>             | <b>294,254</b>      | <b>(4,238)</b>                     |
| <b>FUND BALANCES (DEFICIT):</b>               |                        |                            |                     |                                    |
| Beginning of year                             | 26,891                 | 155,097                    | 804,721             | 599,268                            |
| End of year                                   | <u>\$ (2,862)</u>      | <u>\$ 375,991</u>          | <u>\$ 1,098,975</u> | <u>\$ 595,030</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, 2022**

|   | Special Revenue               |                   |   |                                   |
|---|-------------------------------|-------------------|---|-----------------------------------|
|   | County<br>Service<br>Area 152 | Cabot's<br>Museum | Supplemental<br>Law<br>Enforcement<br>Service<br>Fund | Abandoned<br>Vehicle<br>Abatement |
| <b>REVENUES:</b>                              |                               |                   |   |                                   |
| Taxes   | \$ -                          | \$ -              | \$ -  | \$ -                              |
| Permits and fees                              | -                             | -                 | -   | -                                 |
| Intergovernmental                             | -                             | -                 | 161,284   | 114,801                           |
| Investment earning (loss)                     | 1                             | -                 | 19  | 77                                |
| Miscellaneous                                 | -                             | -                 | -   | -                                 |
| <b>Total revenues</b>                         | <b>1</b>                      | <b>-</b>          | <b>161,303</b>  | <b>114,878</b>                    |
| <b>EXPENDITURES:</b>                          |                               |                   |   |                                   |
| Current:                                      |                               |                   |   |                                   |
| Public safety                                 | -                             | -                 | -   | 23,329                            |
| Public works                                  | 127,426                       | -                 | -   | -                                 |
| Economic development                          | -                             | -                 | -   | -                                 |
| Culture and leisure                           | -                             | 114,446           | -   | -                                 |
| Capital outlay                                | -                             | -                 | -   | -                                 |
| <b>Total expenditures</b>                     | <b>127,426</b>                | <b>114,446</b>    | <b>-</b>  | <b>23,329</b>                     |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(127,425)</b>              | <b>(114,446)</b>  | <b>161,303</b>  | <b>91,549</b>                     |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                               |                   |   |                                   |
| Transfers in                                  | -                             | 137,000           | -   | -                                 |
| Transfers out                                 | -                             | -                 | (161,287)   | -                                 |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                      | <b>137,000</b>    | <b>(161,287)</b>                                      | <b>-</b>                          |
| <b>NET CHANGES IN FUND BALANCES</b>           | <b>(127,425)</b>              | <b>22,554</b>     | <b>16</b>   | <b>91,549</b>                     |
| <b>FUND BALANCES (DEFICIT):</b>               |                               |                   |   |                                   |
| Beginning of year                             | 25,546                        | 36,635            | 3   | 23,184                            |
| End of year                                   | <u>\$ (101,879)</u>           | <u>\$ 59,189</u>  | <u>\$ 19</u>  | <u>\$ 114,733</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, 2022**

|   | Special Revenue                         |                                    |                                      |                      |
|---|---|------------------------------------|--------------------------------------|----------------------|
|   | Community<br>Development<br>Block Grant | Capital<br>Improvement<br>Deposits | Department of<br>Cannabis<br>Control | Housing<br>Authority |
| <b>REVENUES:</b>                              |   |                                    |                                      |                      |
| Taxes   | \$ -                                    | \$ -                               | \$ -                                 | \$ -                 |
| Permits and fees                              | -                                       | 1,740,665                          | -                                    | -                    |
| Intergovernmental                             | 34,382                                  | -                                  | -                                    | 736,628              |
| Investment earning (loss)                     | -                                       | 2,118                              | 244                                  | 1,218                |
| Miscellaneous                                 | -                                       | -                                  | -                                    | 24,000               |
| <b>Total revenues</b>                         | <b>34,382</b>                           | <b>1,742,783</b>                   | <b>244</b>                           | <b>761,846</b>       |
| <b>EXPENDITURES:</b>                          |   |                                    |                                      |                      |
| Current:                                      |   |                                    |                                      |                      |
| Public safety                                 | -                                       | 69,128                             | -                                    | -                    |
| Public works                                  | -                                       | -                                  | -                                    | -                    |
| Economic development                          | -                                       | -                                  | -                                    | 317,026              |
| Culture and leisure                           | -                                       | -                                  | -                                    | -                    |
| Capital outlay                                | -                                       | 1,209,523                          | -                                    | -                    |
| <b>Total expenditures</b>                     | <b>-</b>                                | <b>1,278,651</b>                   | <b>-</b>                             | <b>317,026</b>       |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>34,382</b>                           | <b>464,132</b>                     | <b>244</b>                           | <b>444,820</b>       |
| <b>OTHER FINANCING SOURCES (USES):</b>        |   |                                    |                                      |                      |
| Transfers in                                  | -                                       | -                                  | -                                    | -                    |
| Transfers out                                 | -                                       | (100,000)                          | -                                    | -                    |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                                | <b>(100,000)</b>                   | <b>-</b>                             | <b>-</b>             |
| <b>NET CHANGES IN FUND BALANCES</b>           | <b>34,382</b>                           | <b>364,132</b>                     | <b>244</b>                           | <b>444,820</b>       |
| <b>FUND BALANCES (DEFICIT):</b>               |   |                                    |                                      |                      |
| Beginning of year                             | (27,887)                                | 1,747,897                          | -                                    | 4,499,095            |
| End of year                                   | <u>\$ 6,495</u>                         | <u>\$ 2,112,029</u>                | <u>\$ 244</u>                        | <u>\$ 4,943,915</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, 2022**

|   | Capital Projects               |                                |                                |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | Capital<br>Improvement<br>Fund | Assessment<br>District<br>91-1 | Assessment<br>District<br>92-1 | Assessment<br>District<br>93-2 |
| <b>REVENUES:</b>                              |                                |                                |                                |                                |
| Taxes   | \$ -                           | \$ -                           | \$ -                           | \$ -                           |
| Permits and fees                              | -                              | -                              | -                              | -                              |
| Intergovernmental                             | 265,858                        | -                              | -                              | -                              |
| Investment earning (loss)                     | -                              | 112                            | 5                              | 4                              |
| Miscellaneous                                 | -                              | -                              | -                              | -                              |
| <b>Total revenues</b>                         | <u>265,858</u>                 | <u>112</u>                     | <u>5</u>                       | <u>4</u>                       |
| <b>EXPENDITURES:</b>                          |                                |                                |                                |                                |
| Current:                                      |                                |                                |                                |                                |
| Public safety                                 | -                              | -                              | -                              | -                              |
| Public works                                  | -                              | -                              | -                              | -                              |
| Economic development                          | -                              | -                              | -                              | -                              |
| Culture and leisure                           | -                              | -                              | -                              | -                              |
| Capital outlay                                | 710,423                        | -                              | -                              | -                              |
| <b>Total expenditures</b>                     | <u>710,423</u>                 | <u>-</u>                       | <u>-</u>                       | <u>-</u>                       |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <u>(444,565)</u>               | <u>112</u>                     | <u>5</u>                       | <u>4</u>                       |
| <b>OTHER FINANCING SOURCES (USES):</b>        |                                |                                |                                |                                |
| Transfers in                                  | 520,199                        | -                              | -                              | -                              |
| Transfers out                                 | -                              | -                              | -                              | -                              |
| <b>Total other financing sources (uses)</b>   | <u>520,199</u>                 | <u>-</u>                       | <u>-</u>                       | <u>-</u>                       |
| <b>NET CHANGES IN FUND BALANCES</b>           | 75,634                         | 112                            | 5                              | 4                              |
| <b>FUND BALANCES (DEFICIT):</b>               |                                |                                |                                |                                |
| Beginning of year                             | 116,039                        | 123,102                        | 14,767                         | 10,453                         |
| End of year                                   | <u>\$ 191,673</u>              | <u>\$ 123,214</u>              | <u>\$ 14,772</u>               | <u>\$ 10,457</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, 2022**

---

|   | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|--|
| <b>REVENUES:</b>                              |  |
| Taxes   | \$ 1,146,729                               |
| Permits and fees                              | 2,868,324                                  |
| Intergovernmental                             | 3,192,370                                  |
| Investment earning (loss)                     | 7,418                                      |
| Miscellaneous                                 | 24,000                                     |
| <b>Total revenues</b>                         | <u>7,238,841</u>                           |
| <b>EXPENDITURES:</b>                          |  |
| Current:                                      |  |
| Public safety                                 | 92,457                                     |
| Public works                                  | 3,010,506                                  |
| Economic development                          | 317,026                                    |
| Culture and leisure                           | 114,446                                    |
| Capital outlay                                | 3,089,239                                  |
| <b>Total expenditures</b>                     | <u>6,623,674</u>                           |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <u>615,167</u>                             |
| <b>OTHER FINANCING SOURCES (USES):</b>        |  |
| Transfers in                                  | 1,847,247                                  |
| Transfers out                                 | (584,625)                                  |
| <b>Total other financing sources (uses)</b>   | <u>1,262,622</u>                           |
| <b>NET CHANGES IN FUND BALANCES</b>           | 1,877,789                                  |
| <b>FUND BALANCES (DEFICIT):</b>               |  |
| Beginning of year                             | 9,593,742                                  |
| End of year                                   | <u><u>\$ 11,471,531</u></u>                |

(Concluded)

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Special Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2022**

|   | Budget Amounts   |                  | Actual              | Variance with       |
|---|------------------|------------------|---------------------|---------------------|
|   | Original         | Final            | Amounts             | Final Budget        |
| <b>REVENUES:</b>                          |                  |                  |                     |                     |
| Intergovernmental                         | \$ 753,571       | \$ 753,571       | \$ 644,201          | \$ (109,370)        |
| <b>Total revenues</b>                     | <u>753,571</u>   | <u>753,571</u>   | <u>644,201</u>      | <u>(109,370)</u>    |
| <b>EXPENDITURES:</b>                      |                  |                  |                     |                     |
| Current:                                  |                  |                  |                     |                     |
| Public works                              | 546,532          | 573,060          | 578,834             | (5,774)             |
| <b>Total expenditures</b>                 | <u>546,532</u>   | <u>573,060</u>   | <u>578,834</u>      | <u>(5,774)</u>      |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | <u>207,039</u>   | <u>180,511</u>   | <u>65,367</u>       | <u>(115,144)</u>    |
| <b>OTHER FINANCING SOURCES (USES):</b>    |                  |                  |                     |                     |
| Transfers in                              | -                | 5,425            | 5,425               | -                   |
| Transfers out                             | (161,669)        | (161,669)        | (161,669)           | -                   |
| <b>Total other financing (uses)</b>       | <u>(161,669)</u> | <u>(156,244)</u> | <u>(156,244)</u>    | <u>-</u>            |
| <b>NET CHANGE IN FUND BALANCE</b>         | <u>\$ 45,370</u> | <u>\$ 24,267</u> | <u>(90,877)</u>     | <u>\$ (115,144)</u> |
| <b>FUND BALANCE (DEFICIT):</b>            |                  |                  |                     |                     |
| Beginning of year                         |                  |                  | <u>(68,358)</u>     |                     |
| End of year                               |                  |                  | <u>\$ (159,235)</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, 2022**

|                                   | Budget Amounts    |                   | Actual            | Variance with    |
|-----------------------------------|-------------------|-------------------|-------------------|------------------|
|                                   | Original          | Final             | Amounts           | Final Budget     |
| <b>REVENUES:</b>                  |                   |                   |                   |                  |
| Intergovernmental                 | \$ 571,702        | \$ 571,702        | \$ 611,066        | \$ 39,364        |
| Interest                          | 1,000             | 1,000             | 744               | (256)            |
| <b>Total revenues</b>             | <u>572,702</u>    | <u>572,702</u>    | <u>611,810</u>    | <u>39,108</u>    |
| <b>EXPENDITURES:</b>              |                   |                   |                   |                  |
| Current:                          |                   |                   |                   |                  |
| Public works                      | 310,861           | 396,149           | 366,285           | 29,864           |
| <b>Total expenditures</b>         | <u>310,861</u>    | <u>396,149</u>    | <u>366,285</u>    | <u>29,864</u>    |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ 261,841</u> | <u>\$ 176,553</u> | 245,525           | <u>\$ 68,972</u> |
| <b>FUND BALANCE:</b>              |                   |                   |                   |                  |
| Beginning of year                 |                   |                   | 663,617           |                  |
| End of year                       |                   |                   | <u>\$ 909,142</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, 2022**

|   | Budget Amounts      |                     | Actual             | Variance with     |
|---|---------------------|---------------------|--------------------|-------------------|
|   | Original            | Final               | Amounts            | Final Budget      |
| <b>REVENUES:</b>                          |                     |                     |                    |                   |
| Taxes                                     | \$ 894,110          | \$ 894,110          | \$ 877,666         | \$ (16,444)       |
| Interest                                  | 2,800               | 2,800               | 643                | (2,157)           |
| <b>Total revenues</b>                     | <u>896,910</u>      | <u>896,910</u>      | <u>878,309</u>     | <u>(18,601)</u>   |
| <b>EXPENDITURES:</b>                      |                     |                     |                    |                   |
| Current:                                  |                     |                     |                    |                   |
| Public works                              | 1,942,751           | 2,105,036           | 2,000,621          | 104,415           |
| Capital outlay                            | -                   | 34,172              | -                  | 34,172            |
| <b>Total expenditures</b>                 | <u>1,942,751</u>    | <u>2,139,208</u>    | <u>2,000,621</u>   | <u>138,587</u>    |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | <u>(1,045,841)</u>  | <u>(1,242,298)</u>  | <u>(1,122,312)</u> | <u>119,986</u>    |
| <b>OTHER FINANCING SOURCES:</b>           |                     |                     |                    |                   |
| Transfers in                              | 798,937             | 995,394             | 1,184,623          | 189,229           |
| <b>Total other financing sources</b>      | <u>798,937</u>      | <u>995,394</u>      | <u>1,184,623</u>   | <u>189,229</u>    |
| <b>NET CHANGE IN FUND BALANCE</b>         | <u>\$ (246,904)</u> | <u>\$ (246,904)</u> | 62,311             | <u>\$ 309,215</u> |
| <b>FUND BALANCE:</b>                      |                     |                     |                    |                   |
| Beginning of year                         |                     |                     | <u>533,260</u>     |                   |
| End of year                               |                     |                     | <u>\$ 595,571</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, 2022**

|   | Budget Amounts           |                          | Actual                   | Variance with            |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | Original                 | Final                    | Amounts                  | Final Budget             |
| <b>REVENUES:</b>                          |                          |                          |                          |                          |
| Intergovernmental                         | \$ 510,000               | \$ 510,000               | \$ 624,150               | \$ 114,150               |
| Interest                                  | 400                      | 400                      | 358                      | (42)                     |
| <b>Total revenues</b>                     | <u>510,400</u>           | <u>510,400</u>           | <u>624,508</u>           | <u>114,108</u>           |
| <b>EXPENDITURES:</b>                      |                          |                          |                          |                          |
| Capital outlay                            | <u>210,889</u>           | <u>210,889</u>           | <u>189,193</u>           | <u>21,696</u>            |
| <b>Total expenditures</b>                 | <u>210,889</u>           | <u>210,889</u>           | <u>189,193</u>           | <u>21,696</u>            |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | <u>299,511</u>           | <u>299,511</u>           | <u>435,315</u>           | <u>135,804</u>           |
| <b>OTHER FINANCING (USES):</b>            |                          |                          |                          |                          |
| Transfers out                             | <u>(161,669)</u>         | <u>(161,669)</u>         | <u>(161,669)</u>         | <u>-</u>                 |
| <b>Total other financing (uses)</b>       | <u>(161,669)</u>         | <u>(161,669)</u>         | <u>(161,669)</u>         | <u>-</u>                 |
| <b>NET CHANGE IN FUND BALANCE</b>         | <u><u>\$ 137,842</u></u> | <u><u>\$ 137,842</u></u> | <u>273,646</u>           | <u><u>\$ 135,804</u></u> |
| <b>FUND BALANCE:</b>                      |                          |                          |                          |                          |
| Beginning of year                         |                          |                          | <u>310,412</u>           |                          |
| End of year                               |                          |                          | <u><u>\$ 584,058</u></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, 2022**

|                                   | Budget Amounts     |                    | Actual            | Variance with     |
|-----------------------------------|--------------------|--------------------|-------------------|-------------------|
|                                   | Original           | Final              | Amounts           | Final Budget      |
| <b>REVENUES:</b>                  |                    |                    |                   |                   |
| Taxes                             | \$ 38,900          | \$ 38,900          | \$ 38,430         | \$ (470)          |
| Interest                          | 100                | 100                | 12                | (88)              |
| <b>Total revenues</b>             | <u>39,000</u>      | <u>39,000</u>      | <u>38,442</u>     | <u>(558)</u>      |
| <b>EXPENDITURES:</b>              |                    |                    |                   |                   |
| Current:                          |                    |                    |                   |                   |
| Public works                      | 64,000             | 64,000             | 68,195            | (4,195)           |
| <b>Total expenditures</b>         | <u>64,000</u>      | <u>64,000</u>      | <u>68,195</u>     | <u>(4,195)</u>    |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ (25,000)</u> | <u>\$ (25,000)</u> | (29,753)          | <u>\$ (4,753)</u> |
| <b>FUND BALANCE (DEFICIT):</b>    |                    |                    |                   |                   |
| Beginning of year                 |                    |                    | 26,891            |                   |
| End of year                       |                    |                    | <u>\$ (2,862)</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, 2022**

|                                   | Budget Amounts |               | Actual            | Variance with     |
|-----------------------------------|----------------|---------------|-------------------|-------------------|
|                                   | Original       | Final         | Amounts           | Final Budget      |
| <b>REVENUES:</b>                  |                |               |                   |                   |
| Permits and fees                  | \$ 50,000      | \$ 50,000     | \$ 221,905        | \$ 171,905        |
| Interest                          | 100            | 100           | 289               | 189               |
| <b>Total revenues</b>             | <u>50,100</u>  | <u>50,100</u> | <u>222,194</u>    | <u>172,094</u>    |
| <b>EXPENDITURES:</b>              |                |               |                   |                   |
| Capital outlay                    | <u>50,000</u>  | <u>50,000</u> | <u>1,300</u>      | <u>48,700</u>     |
| <b>Total expenditures</b>         | <u>50,000</u>  | <u>50,000</u> | <u>1,300</u>      | <u>48,700</u>     |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ 100</u>  | <u>\$ 100</u> | 220,894           | <u>\$ 220,794</u> |
| <b>FUND BALANCE:</b>              |                |               |                   |                   |
| Beginning of year                 |                |               | <u>155,097</u>    |                   |
| End of year                       |                |               | <u>\$ 375,991</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, 2022**

|                                   | Budgeted Amounts |                   | Actual              | Variance with     |
|-----------------------------------|------------------|-------------------|---------------------|-------------------|
|                                   | Original         | Final             | Amounts             | Final Budget      |
| <b>REVENUES:</b>                  |                  |                   |                     |                   |
| Permits and fees                  | \$ 100,000       | \$ 780,000        | \$ 905,754          | \$ 125,754        |
| Interest                          | 500              | 500               | 1,015               | 515               |
| <b>Total revenues</b>             | <u>100,500</u>   | <u>780,500</u>    | <u>906,769</u>      | <u>126,269</u>    |
| <b>EXPENDITURES:</b>              |                  |                   |                     |                   |
| Capital outlay                    | <u>32,652</u>    | <u>676,098</u>    | <u>612,515</u>      | <u>63,583</u>     |
| <b>Total expenditures</b>         | <u>32,652</u>    | <u>676,098</u>    | <u>612,515</u>      | <u>63,583</u>     |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ 67,848</u> | <u>\$ 104,402</u> | 294,254             | <u>\$ 189,852</u> |
| <b>FUND BALANCE:</b>              |                  |                   |                     |                   |
| Beginning of year                 |                  |                   | <u>804,721</u>      |                   |
| End of year                       |                  |                   | <u>\$ 1,098,975</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, 2022**

|                                   | Budget Amounts      |                     | Actual            | Variance with     |
|-----------------------------------|---------------------|---------------------|-------------------|-------------------|
|                                   | Original            | Final               | Amounts           | Final Budget      |
| <b>REVENUES:</b>                  |                     |                     |                   |                   |
| Taxes                             | \$ 212,184          | \$ 212,184          | \$ 230,633        | \$ 18,449         |
| Interest                          | 1,900               | 1,900               | 559               | (1,341)           |
| <b>Total revenues</b>             | <u>214,084</u>      | <u>214,084</u>      | <u>231,192</u>    | <u>17,108</u>     |
| <b>EXPENDITURES:</b>              |                     |                     |                   |                   |
| Current:                          |                     |                     |                   |                   |
| Public works                      | 568,417             | 568,417             | 235,430           | 332,987           |
| <b>Total expenditures</b>         | <u>568,417</u>      | <u>568,417</u>      | <u>235,430</u>    | <u>332,987</u>    |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ (354,333)</u> | <u>\$ (354,333)</u> | (4,238)           | <u>\$ 350,095</u> |
| <b>FUND BALANCE:</b>              |                     |                     |                   |                   |
| Beginning of year                 |                     |                     | 599,268           |                   |
| End of year                       |                     |                     | <u>\$ 595,030</u> |                   |

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**  
**County Service Area 152 (CSA-152) Special Revenue Fund**  
**For the Year Ended June 30, 2022**

|                                   | Budget Amounts |                    | Actual              | Variance with       |
|-----------------------------------|----------------|--------------------|---------------------|---------------------|
|                                   | Original       | Final              | Amounts             | Final Budget        |
| <b>REVENUES:</b>                  |                |                    |                     |                     |
| Intergovernmental                 | \$ 144,690     | \$ 144,690         | \$ -                | \$ (144,690)        |
| Interest                          | 100            | 100                | 1                   | (99)                |
| <b>Total revenues</b>             | <u>144,790</u> | <u>144,790</u>     | <u>1</u>            | <u>(144,789)</u>    |
| <b>EXPENDITURES:</b>              |                |                    |                     |                     |
| Current:                          |                |                    |                     |                     |
| Public works                      | <u>144,790</u> | <u>159,790</u>     | <u>127,426</u>      | <u>32,364</u>       |
| <b>Total expenditures</b>         | <u>144,790</u> | <u>159,790</u>     | <u>127,426</u>      | <u>32,364</u>       |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ -</u>    | <u>\$ (15,000)</u> | (127,425)           | <u>\$ (112,425)</u> |
| <b>FUND BALANCE (DEFICIT):</b>    |                |                    |                     |                     |
| Beginning of year                 |                |                    | <u>25,546</u>       |                     |
| End of year                       |                |                    | <u>\$ (101,879)</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, 2022**

|                                      | Budget Amounts |                | Actual           | Variance with    |
|--------------------------------------|----------------|----------------|------------------|------------------|
|                                      | Original       | Final          | Amounts          | Final Budget     |
| <b>EXPENDITURES:</b>                 |                |                |                  |                  |
| Current:                             |                |                |                  |                  |
| Culture and leisure                  | \$ 136,500     | \$ 136,500     | \$ 114,446       | \$ 22,054        |
| <b>Total expenditures</b>            | <u>136,500</u> | <u>136,500</u> | <u>114,446</u>   | <u>22,054</u>    |
| <b>OTHER FINANCING SOURCES:</b>      |                |                |                  |                  |
| Transfers in                         | 137,000        | 137,000        | 137,000          | -                |
| <b>Total other financing sources</b> | <u>137,000</u> | <u>137,000</u> | <u>137,000</u>   | <u>-</u>         |
| <b>NET CHANGE IN FUND BALANCE</b>    | <u>\$ 500</u>  | <u>\$ 500</u>  | 22,554           | <u>\$ 22,054</u> |
| <b>FUND BALANCE:</b>                 |                |                |                  |                  |
| Beginning of year                    |                |                | 36,635           |                  |
| End of year                          |                |                | <u>\$ 59,189</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, 2022**

|                                     | Budget Amounts   |                  | Actual           | Variance with   |
|-------------------------------------|------------------|------------------|------------------|-----------------|
|                                     | Original         | Final            | Amounts          | Final Budget    |
| <b>REVENUES:</b>                    |                  |                  |                  |                 |
| Intergovernmental                   | \$ 150,000       | \$ 150,000       | \$ 161,284       | \$ 11,284       |
| Interest                            | 200              | 200              | 19               | (181)           |
| <b>Total revenues</b>               | <u>150,200</u>   | <u>150,200</u>   | <u>161,303</u>   | <u>11,103</u>   |
| <b>OTHER FINANCING (USES):</b>      |                  |                  |                  |                 |
| Transfers out                       | <u>(150,200)</u> | <u>(150,200)</u> | <u>(161,287)</u> | <u>(11,087)</u> |
| <b>Total other financing (uses)</b> | <u>(150,200)</u> | <u>(150,200)</u> | <u>(161,287)</u> | <u>(11,087)</u> |
| <b>NET CHANGE IN FUND BALANCE</b>   | <u>\$ -</u>      | <u>\$ -</u>      | 16               | <u>\$ 16</u>    |
| <b>FUND BALANCE:</b>                |                  |                  |                  |                 |
| Beginning of year                   |                  |                  | <u>3</u>         |                 |
| End of year                         |                  |                  | <u>\$ 19</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, 2022**

|                                   | Budget Amounts     |                    | Actual            | Variance with     |
|-----------------------------------|--------------------|--------------------|-------------------|-------------------|
|                                   | Original           | Final              | Amounts           | Final Budget      |
| <b>REVENUES:</b>                  |                    |                    |                   |                   |
| Intergovernmental                 | \$ 40,000          | \$ 40,000          | \$ 114,801        | \$ 74,801         |
| Interest                          | 100                | 100                | 77                | (23)              |
| <b>Total revenues</b>             | <u>40,100</u>      | <u>40,100</u>      | <u>114,878</u>    | <u>74,778</u>     |
| <b>EXPENDITURES:</b>              |                    |                    |                   |                   |
| Current:                          |                    |                    |                   |                   |
| Public safety                     | <u>77,500</u>      | <u>77,500</u>      | <u>23,329</u>     | <u>54,171</u>     |
| <b>Total expenditures</b>         | <u>77,500</u>      | <u>77,500</u>      | <u>23,329</u>     | <u>54,171</u>     |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ (37,400)</u> | <u>\$ (37,400)</u> | 91,549            | <u>\$ 128,949</u> |
| <b>FUND BALANCE:</b>              |                    |                    |                   |                   |
| Beginning of year                 |                    |                    | 23,184            |                   |
| End of year                       |                    |                    | <u>\$ 114,733</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, 2022**

|                                   | Budget Amounts |                | Actual          | Variance with    |
|-----------------------------------|----------------|----------------|-----------------|------------------|
|                                   | Original       | Final          | Amounts         | Final Budget     |
| <b>REVENUES:</b>                  |                |                |                 |                  |
| Intergovernmental                 | \$ 290,000     | \$ 290,000     | \$ 34,382       | \$ (255,618)     |
| <b>Total revenues</b>             | <u>290,000</u> | <u>290,000</u> | <u>34,382</u>   | <u>(255,618)</u> |
| <b>EXPENDITURES:</b>              |                |                |                 |                  |
| Capital outlay                    | 290,000        | 290,000        | -               | 290,000          |
| <b>Total expenditures</b>         | <u>290,000</u> | <u>290,000</u> | <u>-</u>        | <u>290,000</u>   |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ -</u>    | <u>\$ -</u>    | 34,382          | <u>\$ 34,382</u> |
| <b>FUND BALANCE (DEFICIT):</b>    |                |                |                 |                  |
| Beginning of year                 |                |                | (27,887)        |                  |
| End of year                       |                |                | <u>\$ 6,495</u> |                  |

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**  
**Capital Improvement Deposits Special Revenue Fund**  
**For the Year Ended June 30, 2022**

|   | Budget Amounts      |                     | Actual              | Variance with     |
|---|---------------------|---------------------|---------------------|-------------------|
|   | Original            | Final               | Amounts             | Final Budget      |
| <b>REVENUES:</b>                          |                     |                     |                     |                   |
| Permits and fees                          | \$ 545,000          | \$ 743,975          | \$ 1,740,665        | \$ 996,690        |
| Interest                                  | 2,950               | 2,950               | 2,118               | (832)             |
| <b>Total revenues</b>                     | <u>547,950</u>      | <u>746,925</u>      | <u>1,742,783</u>    | <u>995,858</u>    |
| <b>EXPENDITURES:</b>                      |                     |                     |                     |                   |
| Current:                                  |                     |                     |                     |                   |
| Public safety                             | -                   | 10,000              | 69,128              | (59,128)          |
| Capital outlay                            | <u>891,912</u>      | <u>1,225,796</u>    | <u>1,209,523</u>    | <u>16,273</u>     |
| <b>Total expenditures</b>                 | <u>891,912</u>      | <u>1,235,796</u>    | <u>1,278,651</u>    | <u>(42,855)</u>   |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | <u>(343,962)</u>    | <u>(488,871)</u>    | <u>464,132</u>      | <u>953,003</u>    |
| <b>OTHER FINANCING (USES):</b>            |                     |                     |                     |                   |
| Transfers out                             | <u>(100,000)</u>    | <u>(100,000)</u>    | <u>(100,000)</u>    | <u>-</u>          |
| <b>Total other financing (uses)</b>       | <u>(100,000)</u>    | <u>(100,000)</u>    | <u>(100,000)</u>    | <u>-</u>          |
| <b>NET CHANGE IN FUND BALANCE</b>         | <u>\$ (443,962)</u> | <u>\$ (588,871)</u> | <u>364,132</u>      | <u>\$ 953,003</u> |
| <b>FUND BALANCE:</b>                      |                     |                     |                     |                   |
| Beginning of year                         |                     |                     | <u>1,747,897</u>    |                   |
| End of year                               |                     |                     | <u>\$ 2,112,029</u> |                   |

**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**  
**Housing Authority Special Revenue Fund**  
**For the Year Ended June 30, 2022**

|   | Budget Amounts    |                   | Actual              | Variance with     |
|---|-------------------|-------------------|---------------------|-------------------|
|   | Original          | Final             | Amounts             | Final Budget      |
| <b>REVENUES:</b>                          |                   |                   |                     |                   |
| Intergovernmental                         | \$ 736,628        | \$ 736,628        | \$ 736,628          | \$ -              |
| Interest                                  | 1,000             | 1,000             | 1,218               | 218               |
| Miscellaneous                             | -                 | -                 | 24,000              | 24,000            |
| <b>Total revenues</b>                     | <u>737,628</u>    | <u>737,628</u>    | <u>761,846</u>      | <u>24,218</u>     |
| <b>EXPENDITURES:</b>                      |                   |                   |                     |                   |
| Current:                                  |                   |                   |                     |                   |
| Economic development                      | 533,207           | 533,207           | 317,026             | 216,181           |
| <b>Total expenditures</b>                 | <u>533,207</u>    | <u>533,207</u>    | <u>317,026</u>      | <u>216,181</u>    |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | <u>204,421</u>    | <u>204,421</u>    | <u>444,820</u>      | <u>240,399</u>    |
| <b>NET CHANGE IN FUND BALANCE</b>         | <u>\$ 204,421</u> | <u>\$ 204,421</u> | <u>444,820</u>      | <u>\$ 240,399</u> |
| <b>FUND BALANCE:</b>                      |                   |                   |                     |                   |
| Beginning of year                         |                   |                   | 4,499,095           |                   |
| End of year                               |                   |                   | <u>\$ 4,943,915</u> |                   |



**City of Desert Hot Springs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**  
**Capital Improvement Capital Projects Fund**  
**For the Year Ended June 30, 2022**

|                                   | Budget Amounts   |                       | Actual              | Variance with      |
|-----------------------------------|------------------|-----------------------|---------------------|--------------------|
|                                   | Original         | Final                 | Amounts             | Final Budget       |
| <b>REVENUES:</b>                  |                  |                       |                     |                    |
| Intergovernmental                 | \$ 1,403,273     | \$ 1,403,273          | \$ 265,858          | \$ (1,137,415)     |
| <b>Total revenues</b>             | <u>1,403,273</u> | <u>1,403,273</u>      | <u>265,858</u>      | <u>(1,137,415)</u> |
| <b>EXPENDITURES:</b>              |                  |                       |                     |                    |
| Capital outlay                    | <u>1,303,903</u> | <u>2,516,725</u>      | <u>710,423</u>      | <u>1,806,302</u>   |
| <b>Total expenditures</b>         | <u>1,303,903</u> | <u>2,516,725</u>      | <u>710,423</u>      | <u>1,806,302</u>   |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ 99,370</u> | <u>\$ (1,113,452)</u> | <u>(444,565)</u>    | <u>\$ 668,887</u>  |
| <b>FUND BALANCE (DEFICIT):</b>    |                  |                       |                     |                    |
| Beginning of year                 |                  |                       | 116,039             |                    |
| End of year                       |                  |                       | <u>\$ (328,526)</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, 2022**

|                                   | Budget Amounts |               | Actual            | Variance with  |
|-----------------------------------|----------------|---------------|-------------------|----------------|
|                                   | Original       | Final         | Amounts           | Final Budget   |
| <b>REVENUES:</b>                  |                |               |                   |                |
| Interest                          | \$ 200         | \$ 200        | \$ 112            | \$ (88)        |
| <b>Total revenues</b>             | <u>200</u>     | <u>200</u>    | <u>112</u>        | <u>(88)</u>    |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ 200</u>  | <u>\$ 200</u> | 112               | <u>\$ (88)</u> |
| <b>FUND BALANCE:</b>              |                |               |                   |                |
| Beginning of year                 |                |               | <u>123,102</u>    |                |
| End of year                       |                |               | <u>\$ 123,214</u> |                |

---

# INTERNAL SERVICE FUNDS

---

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

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

***Equipment Replacement Fund*** - To account for equipment purchases.

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2022**

|  | Risk<br>Management | Equipment<br>Replacement | Total      |
|--|--------------------|--------------------------|------------|
| <b>ASSETS</b>  |                    |                          |            |
| Current assets:  |                    |                          |            |
| Cash and investments                                   | \$ 565,746         | \$ 27,996                | \$ 593,742 |
| Total current assets                                   | 565,746            | 27,996                   | 593,742    |
| Capital assets:  |                    |                          |            |
| Depreciable, net                                       | -                  | 685,863                  | 685,863    |
| Total capital assets                                   | -                  | 685,863                  | 685,863    |
| <b>Total assets</b>                                    | 565,746            | 713,859                  | 1,279,605  |
| <b>LIABILITIES</b>                                     |                    |                          |            |
| Current liabilities:                                   |                    |                          |            |
| Accounts payable                                       | 3,479              | -                        | 3,479      |
| Claims payable - due within one year                   | 331,161            | -                        | 331,161    |
| Financing purchase payable - due within one year       | -                  | 159,583                  | 159,583    |
| Total current liabilities                              | 334,640            | 159,583                  | 494,223    |
| Noncurrent liabilities:                                |                    |                          |            |
| Claims payable - due in more than one year             | 250,219            | -                        | 250,219    |
| Financing purchase payable - due in more than one year | -                  | 409,038                  | 409,038    |
| <b>Total noncurrent liabilities</b>                    | 250,219            | 409,038                  | 659,257    |
| <b>Total liabilities</b>                               | 584,859            | 568,621                  | 1,153,480  |
| <b>NET POSITION</b>                                    |                    |                          |            |
| Net investment in capital assets                       | -                  | 117,242                  | 117,242    |
| Unrestricted (deficit)                                 | (19,113)           | 27,996                   | 8,883      |
| <b>Total net position (deficit)</b>                    | \$ (19,113)        | \$ 145,238               | \$ 126,125 |

**City of Desert Hot Springs**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2022**

|                                    | Risk<br>Management | Equipment<br>Replacement | Total             |
|------------------------------------|--------------------|--------------------------|-------------------|
| <b>OPERATING REVENUES:</b>         |                    |                          |                   |
| Charges for services               | \$ -               | \$ 193,348               | \$ 193,348        |
| Insurance recovery                 | 8,088              | -                        | 8,088             |
| <b>Total operating revenues</b>    | <u>8,088</u>       | <u>193,348</u>           | <u>201,436</u>    |
| <b>OPERATING EXPENSES:</b>         |                    |                          |                   |
| Insurance and claims               | 27,201             | -                        | 27,201            |
| Depreciation                       | -                  | 230,265                  | 230,265           |
| <b>Total operating expenses</b>    | <u>27,201</u>      | <u>230,265</u>           | <u>257,466</u>    |
| <b>OPERATING INCOME (LOSS)</b>     | <u>(19,113)</u>    | <u>(36,917)</u>          | <u>(56,030)</u>   |
| <b>NONOPERATING EXPENSES:</b>      |                    |                          |                   |
| Gain on sale of property           | -                  | 15,285                   | 15,285            |
| Interest expenses                  | -                  | (16,327)                 | (16,327)          |
| <b>Total nonoperating expenses</b> | <u>-</u>           | <u>(1,042)</u>           | <u>(1,042)</u>    |
| <b>Changes in net position</b>     | <u>(19,113)</u>    | <u>(37,959)</u>          | <u>(57,072)</u>   |
| <b>NET POSITION:</b>               |                    |                          |                   |
| Beginning of year                  | -                  | 183,197                  | 183,197           |
| End of year                        | <u>\$ (19,113)</u> | <u>\$ 145,238</u>        | <u>\$ 126,125</u> |

**City of Desert Hot Springs**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2022**

|  | Risk<br>Management | Equipment<br>Replacement | Total        |
|--|--------------------|--------------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                    |                          |              |
| Receipts from claims recoveries  | \$ 8,088           | \$ -                     | \$ 8,088     |
| Receipts from use departments  | -                  | 193,348                  | 193,348      |
| Payments for insurance claims  | (230,993)          | -                        | (230,993)    |
| <b>Net cash provided by (used in) operating activities</b>   | (222,905)          | 193,348                  | (29,557)     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>   |                    |                          |              |
| Acquisition of capital assets  | -                  | (36,696)                 | (36,696)     |
| Principal paid on purchasing finance   | -                  | (140,042)                | (140,042)    |
| Interest paid on purchasing finance  | -                  | (16,327)                 | (16,327)     |
| Proceeds from sale of assets   | -                  | 15,285                   | 15,285       |
| <b>Net cash (used in) capital and related financing activities</b>                                       | -                  | (177,780)                | (177,780)    |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | (222,905)          | 15,568                   | (207,337)    |
| <b>CASH AND CASH EQUIVALENTS:</b>  |                    |                          |              |
| Beginning of year  | 788,651            | 12,428                   | 801,079      |
| End of year  | \$ 565,746         | \$ 27,996                | \$ 593,742   |
| <b>RECONCILIATION OF OPERATING LOSS TO NET</b>   |                    |                          |              |
| <b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>  |                    |                          |              |
| Operating (loss)   | \$ (19,113)        | \$ (36,917)              | \$ (56,030)  |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                    |                          |              |
| Depreciation   | -                  | 230,265                  | 230,265      |
| (Increase) decrease in accounts receivable   | -                  | -                        | -            |
| Increase (decrease) in accounts payable  | (3,593)            | -                        | (3,593)      |
| Increase (decrease) in claims payable  | (200,199)          | -                        | (200,199)    |
| Total adjustments  | (203,792)          | 230,265                  | 26,473       |
| <b>Net cash provided by (used in) operating activities</b>   | \$ (222,905)       | \$ 193,348               | \$ (29,557)  |
| <b>NONCASH ITEM FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                       |                    |                          |              |
| Issuance of purchasing financing payable   | \$ -               | \$ 708,663               | \$ 708,663   |
| Assets purchased through purchasing finance  | \$ -               | \$ (708,663)             | \$ (708,663) |

*This page intentionally left blank.*



---

## CUSTODIAL FUNDS

---

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

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

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

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

*This page intentionally left blank.*

**City of Desert Hot Springs**  
**Combining Statement of Fiduciary Net Position**  
**Custodial Funds**  
**June 30, 2022**

|  | Community<br>Services<br>Fund | Community<br>Facilities<br>District<br>Skyborne Fund | Community<br>Facilities<br>District Fund | Gang Task<br>Force Fund | Total            |
|--|-------------------------------|--|--|-------------------------|------------------|
| <b>ASSETS</b>                                      |                               |  |  |                         |                  |
| Cash and investments                               | \$ 1,024,595                  | \$ 499,338   | \$ 1,421,424                             | \$ 92,320               | \$ 3,037,677     |
| Cash with fiscal agent                             | -                             | 109,036  | -  | -                       | 109,036          |
| Accounts receivable                                | -                             | 2,641  | 108,811                                  | -                       | 111,452          |
| Interest receivable                                | -                             | 192  | 534                                      | 34                      | 760              |
| <b>Total assets</b>                                | <b>1,024,595</b>              | <b>611,207</b>                                       | <b>1,530,769</b>                         | <b>92,354</b>           | <b>3,258,925</b> |
| <b>LIABILITIES</b>                                 |                               |  |  |                         |                  |
| Accounts payable                                   | \$ 27,802                     | \$ 3,563   | \$ 1,850                                 | \$ -                    | \$ 33,215        |
| Deposits payable                                   | 1,012,242                     | 112,892  | 23,873                                   | -                       | 1,149,007        |
| <b>Total liabilities</b>                           | <b>1,040,044</b>              | <b>116,455</b>                                       | <b>25,723</b>                            | <b>-</b>                | <b>1,182,222</b> |
| <b>NET POSITION (DEFICIT)</b>                      |                               |  |  |                         |                  |
| Restricted for:                                    |                               |  |  |                         |                  |
| Individuals, organization and<br>other governments | \$ (15,449)                   | \$ 494,752   | \$ 1,505,046                             | \$ 92,354               | \$ 2,076,703     |

**City of Desert Hot Springs**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**For the Year Ended June 30, 2022**

|  | Community<br>Services<br>Fund | Community<br>Facilities<br>District<br>Skyborne Fund | Community<br>Facilities<br>District Fund | Gang Task<br>Force Fund | Total               |
|--|-------------------------------|--|--|-------------------------|---------------------|
| <b>ADDITIONS:</b>                                  |                               |  |  |                         |                     |
| Assessment revenue collected                       | \$ -                          | \$ 199,590   | \$ 519,251                               | \$ -                    | \$ 718,841          |
| Use of money and property                          | (15,449)                      | -  | 1,132                                    | 90                      | (14,227)            |
| <b>Total additions</b>                             | (15,449)                      | 199,590  | 520,383                                  | 90                      | 704,614             |
| <b>DEDUCTIONS:</b>                                 |                               |  |  |                         |                     |
| Interest expenses                                  | -                             | 64,076   | -  | -                       | 64,076              |
| Payment of special assessment<br>district expenses | -                             | 109,914  | 34,543                                   | -                       | 144,457             |
| Payment of other organization<br>expense           | -                             | -  | -  | 17,126                  | 17,126              |
| <b>Total deductions</b>                            | -                             | 173,990  | 34,543                                   | 17,126                  | 225,659             |
| <b>Change in net position</b>                      | (15,449)                      | 25,600   | 485,840                                  | (17,036)                | 478,955             |
| <b>NET POSITION:</b>                               |                               |  |  |                         |                     |
| Beginning of year                                  | -                             | 469,152  | 1,019,206                                | 109,390                 | 1,597,748           |
| End of year  | <u>\$ (15,449)</u>            | <u>\$ 494,752</u>                                    | <u>\$ 1,505,046</u>                      | <u>\$ 92,354</u>        | <u>\$ 2,076,703</u> |

**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 (“*Government Auditing Standards*”), the 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, 2022, 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 June 8, 2023.

**Report on 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 or significant deficiencies 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

### **Report on 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.

*The Pw Group, LLP*

Santa Ana, California  
June 8, 2023