

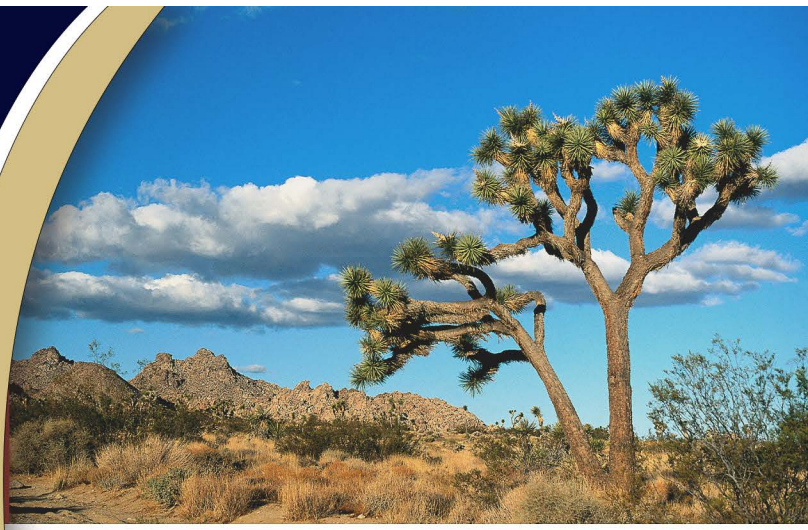
Annual Comprehensive Financial Report

Fiscal Year
Ended June 30, 2023



City of Hesperia

9700 Seventh Avenue
Hesperia, CA 92345
www.cityofhesperia.us



CITY OF HESPERIA, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

Prepared by: Finance Department



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INTRODUCTORY SECTION





City of Hesperia

CALIFORNIA

December 19, 2023

To the Honorable Mayor, City Council, City Manager and Citizens of the City of Hesperia:

It is a pleasure to present the City of Hesperia's Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2023. This report provides a broad view of the City's financial activities for the 2022-23 Fiscal Year and its financial position as of June 30, 2023. Although addressed to the elected officials and citizens of the City, this report has a number of other users. Foremost among these other users are bondholders of the city's debt, financial institutions, credit rating agencies, educational institutions, and other governmental entities.

This report consists of management's representations concerning the finances of the City of Hesperia. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hesperia has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Hesperia's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Hesperia's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The ACFR consists of three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of principal officials and administrative personnel, the City's organizational chart, and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's Fiscal Year Ended June 30, 2022 ACFR. The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, fund financial statements, notes to the basic financial statements, required supplementary information, other supplementary information, including combining and individual fund financial schedules. The statistical section provides relevant financial and non-financial data depicting the City's historical trends and other significant facts.

The City of Hesperia's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hesperia for the Fiscal Year ended June 30, 2023 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hesperia's financial statements for the Fiscal Year ended June 30, 2023 are fairly presented in conformity with

GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Hesperia was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Hesperia's separately issued Single Audit of Federally Assisted Grant Programs report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Hesperia's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Adorned by the San Bernardino Mountain Range along its southern border, the City of Hesperia is located in the High Desert area of San Bernardino County, approximately 35 miles north of the City of San Bernardino and 90 miles northeast of Los Angeles. The City encompasses nearly 75 square miles and is home to an estimated 100,040 residents.

The City was incorporated on July 1, 1988, under the laws of the State of California and enjoys all the rights and privileges afforded to a general law city. The City is governed by a five-member City Council under the Council-Manager form of government. Policy-making and legislative authority are vested in the governing council, consisting of the mayor and four other members. All Council Members are elected to a four-year term and the City does not have term limits. Regular elections are conducted in November of even numbered years and, beginning with the general municipal election held in November 2018, Hesperia implemented a by-district system of elections, whereby each Council Member represents one district or area within the City. Most recently, in 2022, the general municipal election for Districts 2, 3, and 4 was cancelled due to insufficient nominees. In accordance with the State of California Elections Code, on August 24, 2022, the City Council conducted a special meeting to appoint members to the open seats in Districts 2, 3, and 4. The Mayor is appointed annually by and among the members of the City Council. The governing council is responsible for, among other things, passing ordinances and resolutions, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and resolutions of the governing council and for overseeing the day-to-day operations of the government.

The City of Hesperia, including its component districts, employs approximately 195 full-time equivalent positions (not including contract police services). Services provided include the construction and maintenance of streets and other infrastructure; community services, including building and safety, code compliance, and animal control; as well as water, wastewater, and recycled water services. In addition to general government activities, the City Council also serves as the Board of Directors for the Hesperia Water District, Hesperia Housing Authority, Hesperia Community Development Commission, Hesperia Public Financing Authority, Hesperia Public Facilities Corporation, the Hesperia Joint Public Finance Authority, and the Hesperia Fire Protection District (limited to overseeing only the long-term liabilities associated with the former employees of the District). Therefore, these activities have been included as an integral part of the City of Hesperia's financial statements where appropriate. Additional information on these entities can be found in Note 1 in the notes to the financial statements.

The City of Hesperia contracts with the San Bernardino County Sheriff's Department for its police services which includes 61 sworn officers and 16 civilian positions. The law enforcement and public safety services provided through the contract include, patrol operations, traffic enforcement,

detective services, gang investigation/suppression, problem-oriented policing and community outreach programs.

On November 1, 2018, the Hesperia Fire Protection District (HFPD) was reorganized, and the San Bernardino County Fire Department assumed responsibility for providing fire protection and emergency medical services for the community. The HFPD is now limited to overseeing only the long-term liabilities associated with the former employees of the District, which is supported by property tax revenue.

The annual budget serves as the foundation for the City of Hesperia's financial planning and control. Each year the budget development guidelines, for use in preparing the next year's budget, are reviewed and updated. These guidelines are structured to reflect the City Council's goals and objectives and to provide the framework in which the budget is prepared. Annually, the proposed budget is submitted to the City Council and a public hearing is conducted to obtain citizen comments. Prior to the beginning of the new fiscal year, the City Council adopts the annual operating and capital budgets at public meetings.

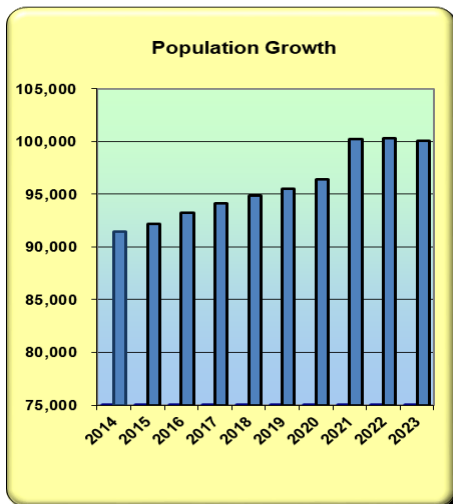
The City's budget policy is that all appropriations lapse at fiscal year-end. Outstanding encumbrance balances at fiscal year-end require re-approval by the City Council. The City Council may amend the budget at any time during the fiscal year. The City Manager may authorize budget transfers between line items and programs within a fund, as long as the total budget for each fund has not exceeded the amount approved by the City Council. The level of budgetary control is set at the fund level to ensure compliance with the budget as approved by the City Council; therefore, any budgetary increases at the fund level require City Council approval.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hesperia operates.

Local economy

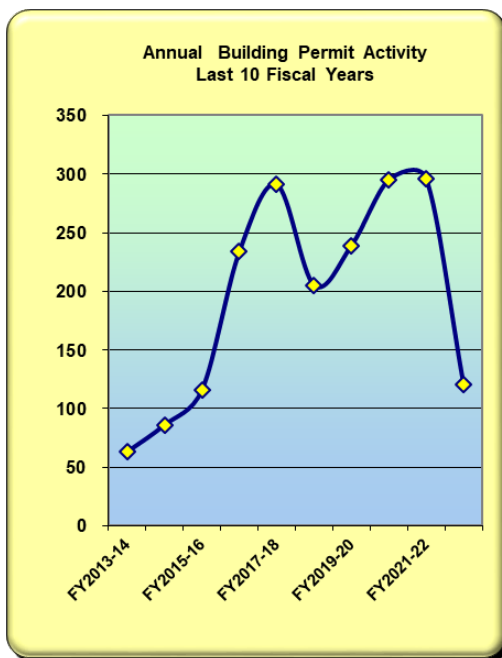
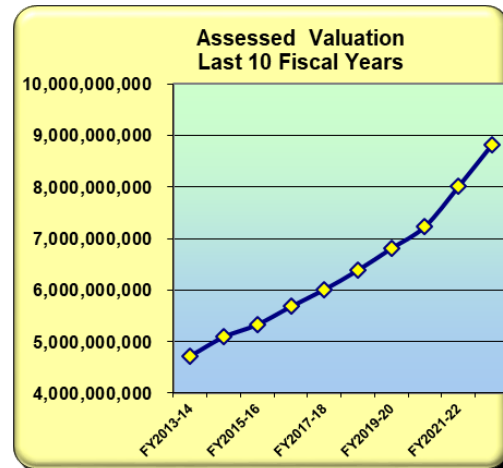
The City of Hesperia is located in the northern region of the Inland Empire, an area of Southern California with affordable undeveloped land among multiple transportation corridors. Situated at the summit of the Cajon Pass and within the interconnection of Interstate 15 and U.S. Highway 395, Hesperia offers 17 miles of prime freeway frontage. Rail access is also available in Hesperia, with approximately one mile of rail road lead track, positioning the City to derive key benefits from development in the future.



The City of Hesperia is home to approximately 100,040 residents. Current and projected growth in Hesperia provides the City with a large and expanding workforce. Over the last ten years, Hesperia has experienced appreciable growth in its population, growing approximately 9.4%. This 10-year growth is notably higher than that of the county at 4.2%, state 1.0%, and the nation as a whole at 5.3%, for the same time period. Hesperia's 9.4% population growth over the last decade is in addition to the substantial growth Hesperia experienced over the previous decade of 28.3%. After the 2020 U.S. Census, the State revised the 2021 population estimate for Hesperia from an initial projection of 96,053 to a revised population of 100,225, as reflected in the sharp increase from 2020 to 2021 shown in the chart to the left.

Although the City has persistently pursued efforts to attract new businesses and expand existing businesses, the overall high desert is in need of additional employment opportunities for its residents. According to data released by the California Employment Development Department (EDD), the City of Hesperia's unemployment rate in October 2023 was higher than the national average at 6.8%, and has increased from the 5.5% unemployment rate experienced during the same month in the prior year. The increase can largely be attributed to the monetary tightening by the Federal Reserve in order to curb inflation. Hesperia's 6.8% unemployment rate is higher than the 5.0% rate experienced within the overall County of San Bernardino, the 4.8% rate for the State, and the 3.9% rate for the nation as a whole.

The City of Hesperia has 74 square miles of space to accommodate residential, commercial, and industrial development. The chart to the right reflects the assessed valuation changes experienced during the last ten years. Newly released data from the San Bernardino County's Assessor's Office reflects a 10.1% increase in Hesperia's assessed valuation for 2023. With this most recent announcement, the City's \$8.8 billion assessed valuation reflects an increase of \$4.1 billion during the last ten years, or 86.5%, which is certainly welcomed news for the community. Even with the recent increases in assessed valuation, the High Desert region continues to have some of the most affordable housing in California according to the California Association of Realtors.



The chart to the left shows single family residential (SFR) activity over the last ten years. The recent decline in permit activity, going from 296 permits issued in FY 2021-22 to 121 permits issued during FY 2022-23, reflects the impact that the Federal Reserve's tightening of monetary policy to curb inflation and related rate increases have had on the overall housing market.

The FY 2023-24 Budget projects a further reduction in SFR permits due in large part to the rate increases discussed above, which has affected the affordability of home ownership; from a FY 2022-23 projection of 240 SFR permits to a FY 2023-24 projection of 49 permits. However, through November 2023, 47 SFR permits have been issued.

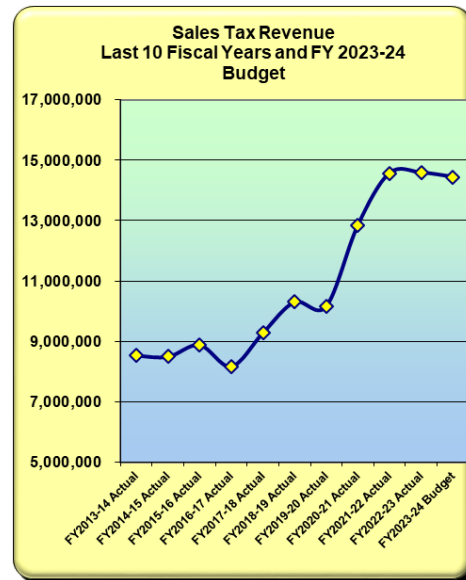
Commercial development activity, similar to residential development, acts as a barometer of local economic conditions. During FY 2022-23, the City added 2,279,669 square feet of combined industrial and commercial construction, which is comprised of 2,230,572 square feet of distribution and warehouse space, and smaller projects including a 3,128 square foot truss manufacturing project, 11,758 square feet in restaurant space, a 5,937 square foot car wash, and a 12,490 square-foot automotive repair shop. This commercial activity was significantly higher than the 16,709 square feet added during FY 2021-22, due predominantly to the two warehouse projects added during FY 2022-23 which exceeded 1 million square footage each. Further, the FY 2023-24 Budget projects

an overall reduction in commercial/industrial square footage, with 449,631 in warehouse square footage added through November 2023.

As displayed in the chart to the right, Hesperia has seen a significant improvement in sales tax revenue during the last ten fiscal years. The City has experienced a 71% increase in sales tax revenue from \$8.5 million in FY 2013-14, to \$14.6 million in FY 2022-23.

The increases realized during this time are largely attributed to fuel sales, which is the largest sales tax producing sector of the City, as well as increasing demand of the City's consumer retail stores. Additionally, in recent years, the Sales Tax revenue received from the State and County pool has contributed to the increase.

When reviewing the historical trend of the City's sales tax, one can see stark growth occurring after FY 2019-20. While many cities experienced dire negative impacts from the global pandemic, Hesperia's sales tax revenue continued to grow. The reason for this growth is directly related to the growth of sales taxes from the State and County Pool. More plainly, the increase of sales taxes is from online sales. During the pandemic, many people altered their shopping habits from visiting traditional stores to ordering online. Prior to the pandemic, the State and County Pool accounted for approximately less than 10% of all sales tax. Since 2020, the percentage has grown to 14% of all sales taxes as of June 2023.



Fiscal Year 2022-23 Goals, Efforts, and Actions

Leveraging the City's limited resources to derive the greatest benefit for the good of the entire community, is at the heart of the City Council's commitment to its citizens. This management philosophy has made it possible for the City Council to further their goals toward building a strong community and improving the quality of life for Hesperia residents, businesses, and visitors.

During the Fiscal Year Ended June 30, 2023, the City not only continued to provide the municipal services expected by its citizens, but also made progress in accomplishing a variety of goals and projects for the benefit of the Hesperia community. Some of the more significant accomplishments were:

- ❖ The Fiscal Year 2022-23 Budget was adopted with the equivalent of 3.9 months of General Fund expenditures held as cash reserves.
- ❖ The Hesperia City Council provided an additional \$0.6 million of funding within Fiscal Year 2022-23 for its annual Street Improvement Project. These funds were used to enhance streets throughout the City and are in addition to the ongoing Street Maintenance Program.
- ❖ An expansion of the Park and Ride facility on Joshua Street at Highway 395, which was awarded \$782,000 in grant funding, was completed during FY 2022-23.
- ❖ In an effort to mitigate the CalPERS (pension) unfunded liability and OPEB (other post-employment benefits) obligations, the City Council established a funding policy for the recently established IRS Section 115 Trust.

- ❖ The City launched a new illegal fireworks campaign, "Refuse to Light the Fuse. Because Fireworks Safety Starts With You". Fireworks are a nuisance and tremendously impact the community. The campaign calls upon residents to help protect the community, neighborhood, pets, and local veterans by refusing to use fireworks. Strategic communication efforts were planned from late May through the July 4th holiday.
- ❖ The City was awarded funding from Federal and State grant programs to enhance infrastructure, environmental conservation, and quality of life programs:
 - The City received \$80,000 from the California Energy Commission to implement an automated online permitting solution for processing solar energy permit applications.
 - The City received \$300,000 from the Department of Housing and Community Development to use for the design of a basin along the A-04 drainage course.
 - The City received \$20,379 from CalRecycle, which allows Code Enforcement to clean up tires throughout the City.
 - The City received \$25,257 from CalRecycle to aid in beverage container recycling and litter clean-up activities.
- ❖ Environmental and water conservation are leading priorities in Hesperia. The City hosted various programs during the year through grant funding and local partnerships. During FY 2022-23, these programs yielded:
 - Neighborhood beautification: 28.78 tons. This City-funded event allows residents free disposal of bulky items such as mattresses, furniture, and appliances.
 - Cleanup Day: 7.1 tons. This City-funded event organizes clean-ups with community participation at designated locations throughout the City.
 - Tire Amnesty Day: 29.26 tons. Funded by CalRecycle, Tire Amnesty Day events were postponed after August 2021 but have resumed as of August 2022.
 - HEART Program: 601.7 tons. The Hesperia Environmental Assistance Response Team (HEART) was formed through a partnership between the City and Advance Disposal, involving a comprehensive sweep of the City to collect trash and debris from neighborhoods throughout Hesperia.
- ❖ Hesperia welcomed several new businesses during FY 2022-23:
 - Downtown Café on Main Street
 - Los Amores on Main Street
 - Rockstars of Tomorrow High Desert on Main Street
 - Rainbow Tea House on Main Street
 - Mediterranean Island on Bear Valley Road
 - INCHA on Bear Valley Road
 - Don Reyes Airport on Summit Valley Road
 - Blended Canna Brewery on Hesperia Road
 - Dulce Canela HSP LLC on Main Street
 - Kona Ice on Poplar Street

Subsequent Goals, Efforts, and Actions

- ❖ The Hesperia City Council provided an additional \$0.8 million of funding within the Fiscal Year 2023-24 Budget for its annual Residential Road Improvement Program. These funds are used to enhance streets throughout the City and are in addition to the ongoing Street Maintenance Program. Over the last fifteen years, this program has reconstructed over 72 miles of roads and 84 miles of slurry sealed roads, amounting to over \$46.3 million.

- ❖ Consistent with the City Council's Budgeting Policy to ensure funding for law enforcement services at 53% of the General Fund operating budget, the Police Department's budget will increase in FY 2023-24 by approximately \$1.4 million, or 7% from the prior year. Included in Hesperia's ongoing law enforcement contract with San Bernardino County are specialty services such as aviation support, homicide, gang, narcotics, and Crimes Against Children investigative teams.
- ❖ Work continues on the final phase of the three-phase Ranchero Corridor project. Previously completed phases include the much anticipated Ranchero Underpass which was successfully opened in June 2013, as well as the opening of the Ranchero Interchange in February 2015. The first two phases of this corridor project have provided motorists with an additional east-west connector to the freeway. Phase Three, a joint project between the City of Hesperia, San Bernardino County, and San Bernardino County Transportation Authority (SBCTA) will widen five miles of Ranchero Road from two lanes into a fully improved five lane roadway, including replacement of the bridge over the California aqueduct, as well as a widening of the at-grade crossing of the Union Pacific Railroad tracks. Construction began during Fiscal Year 2021-22 and will continue through FY 2023-24. Once complete, the high-priority project will improve traffic flows along Ranchero Road, as well as Main Street and Bear Valley Road, reducing congestion in Hesperia and throughout the High Desert.
- ❖ To integrate the City's recruitment, onboarding, and performance management functions, funding in the amount of \$33,000 has been included in the FY 2023-24 Budget for Human Resources software.
- ❖ Funding in the amount of \$68,000 has been included in the FY 2023-24 Budget for the creation of the Environmental Justice Element and the Safety Element in the City's General Plan.
- ❖ Previously awarded grants that will be used in the upcoming year:
 - The City received \$38,802 from the Tire Amnesty 6 Grant through CalRecycle to resume Tire Amnesty Day events, in which residents can dispose of old and unwanted tires for free.
 - The City received \$136,396 from the SB 1383 Local Assistance Grant Program through CalRecycle. This grant program assists local jurisdictions with implementing regulations required through Senate Bill 1383, which aims to reduce organic waste disposal and emissions of short-lived climate pollutants.
 - The City received a \$75,000 WaterSMART grant through the Bureau of Reclamation to remove steel water lines from service by connecting residential water services to new and currently installed pvc pipelines. The project sites are located along Eighth, Ninth, and Tenth Avenues from Mesa Street to Mauna Loa Street; Ash, Mission, and El Centro Streets from Eleventh Avenue to Seventh Avenue. As a part of the City's 2008 Water Master Plan, this project will reduce water loss and enhance water quality.
 - The City was awarded \$750,000 from the Mojave Water Agency for the installation of a retention basin south of the H-01 storm drainpipe that will regulate the flow of storm water and allow the sediment to settle into the basin rather than dispersing into the storm drainpipe. Subsequently, the retention basin will significantly reduce the cost of maintenance and improve storm water quality.

Short-Term Outlook

The FY 2023-24 General Fund Budget for the City is structurally balanced, with operational revenue funding operational expenditures, and the difference between total resources (revenue, budgeted reserves, and transfers), and total expenditures resulting in a surplus.

The overall FY 2023-24 Budget anticipates an overall decrease in resources of 5%, largely due to Other City Related funds from the second installment of \$11.7 million in Federal grant fund (American Rescue Plan Act) received during FY 2022-23. The General Fund revenue is projected to increase by 7%, or \$3.2 million, which is due primarily to Vehicle License Fees, General and Administrative Recovery, and Transient Occupancy Tax. Streets Related revenues are expected to increase due to the timing of reimbursements in grant and cooperative agreement funding through the San Bernardino County Transportation Authority (SBCTA), and Development Impact Fees (DIF) collections for several Capital Improvement Program (CIP) projects. Water District revenues are anticipated to remain relatively unchanged from FY 2022-23.

Citywide FY 2023-24 budgeted expenditures of \$137.0 are expected to increase 3% over the FY 2022-23 Budget of \$133.6 million. The primary reason for the increase in expenditures is related to the operating budget, which is anticipated to increase by 9%. This is primarily due to the inflation experienced with the current economy for materials, supplies, contracts and personnel, which include both City staff and contracted personnel.

The FY 2023-24 General Fund Budget includes 5.6 months of cash reserves, which equates to approximately \$22.1 million. The specific purpose of the reserves is to provide funding to meet operational appropriation requirements in the event that the City were to experience shortfalls in the level of anticipated revenues or unanticipated expenses.

Major Initiatives

Capital Improvement Program – On June 20, 2023, the City’s FY 2022-23 Capital Improvement Program (CIP) was adopted. The City continues an aggressive CIP effort, utilizing staff and consultant resources to implement infrastructure projects that meet the needs of the City and its residents and businesses. The FY 2023-24 CIP program includes funding in the amount of \$49,490,312 for much needed projects in the following categories:

Streets CIP Projects	\$	41,251,175
Storm Drain Projects		1,225,937
Facilities Projects		-
Water Projects		1,029,000
Sewer Projects		5,984,200
Total CIP Projects	\$	49,490,312

As with most cities, street improvement projects are of significant importance to the City of Hesperia. Over the past 15 years, the City has dedicated funds to its Annual Street Improvement Program totaling \$46,323,956 and paving over 72 miles of road. These funds are used to enhance streets throughout the City and are in addition to the ongoing Street Maintenance Program. For FY 2023-24, \$0.8 million has been allocated for the effort.

Additional street improvement projects totaling \$40.5 million are also included in the FY 2023-24 Budget to address infrastructure needs such as: \$32.9 million for Ranchero Road corridor projects, including the aqueduct crossing and road widening joint project with San Bernardino County and San Bernardino County Transportation Authority (SBCTA), for which the City will act as lead agency; and \$7.6 million in other street projects of significant importance to the City.

Storm Drain CIP projects amounting to \$1.2 million are included FY 2023-24 Budget for progress needed on two retention basins and a drainage channel. There were no facilities projects budgeted for FY 2023-24.

Water and Sewer projects amounting to \$3.3 million have been included in the FY 2023-24 Budget for the Interstate 15 infrastructure project, as well as approximately \$3.7 million for additional water and sewer improvements, including \$1.2 for the Maple Avenue Sewer Line Replacement project, \$0.6 million to Recoat Exterior Water Tank at Plant 23, \$0.3 million for the Water Service Line Relocation Program, and \$0.1 million for Roofing Replacement & Repairs at Plants 5 & 18.

Employee Retirement Costs – As further addressed in the notes to the financial statements, the City is a member of the California Public Employees’ Retirement system (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan for its personnel.

In anticipation of increasing rates, based upon policy actions adopted by the CalPERS Board, the City Council gradually but purposefully moved away from the City bearing the cost of the full 8% employee contribution, to placing that cost reasonably with employees. Initiated well before the California Public Employees’ Pension Reform Act of 2013, this funding shift began in FY 2007-08 and by FY 2012-13, employees were paying the full 8% employee contribution.

While this step was important, the City negotiated with employees to go even further. In addition to paying the full CalPERS member contribution, employees also began paying 1% of the reportable earnings as cost sharing of the City’s normal costs starting in July 2015.

Despite these steps to help mitigate the City’s pension costs, CalPERS announced additional policy changes designed to improve the plans’ funded status, which will increase the City’s pension costs. These policy changes included reducing the amortization period from 30 to 20 years for future unfunded liabilities and reducing the discount rate from 7.25% for FY 2018-19 to 7.00% for FY 2019-20 and again, from 7.00 to 6.80% announced in November 2021, with an expected budget impact in FY 2023-24.

To further advance the City Council’s Financial Health Priority, Section 115 Trust funds were established during FY 2022-23 to address both the City’s pension and Other Post-Employment Benefit (OPEB) obligations. On May 16, 2023 the City Council approved an initial deposit of \$3.4 million for the City’s Pension Stabilization 115 Trust and \$0.6 million for the City’s OPEB 115 Trust. Further, with the adoption of the FY 2023-24 Budget, the City Council approved a policy to annually contribute a minimum of five percent of the annual CalPERS required employer unfunded liability payment into the City’s Pension Stabilization Trust fund, and contribute a minimum of 15% of the annual OPEB billing from CalPERS into the OPEB Trust fund in order to put in place steady and consistent funding that will generate investment income, thereby reducing future long term cash flow requirements. For FY 2023-24, the budgeted contributions are \$166,000 and \$12,500 respectively.

Financial Policies

Budgeting – Under the City Council’s Balanced Budget Policy, operational revenue provides funding for operational expenditures. As such, ongoing expenditures are not funded by one-time revenue and the General Fund continues to meet this commitment for the FY 2023-24 Budget.

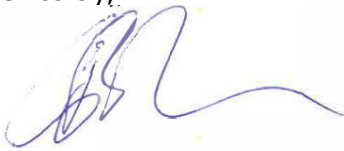
To ensure adequate funding for law enforcement services, the City Council’s Budgeting Policy further stipulates that the annual Police Department budget shall equal or not exceed 53% of a three-year average of the General Fund audited operating expenditures (comprised of all expenditures less transfers out, debt service, and capital outlay). Consistent with this policy, the Police Department’s Budget will increase in FY 2023-24 by 5%, or approximately \$1.4 million, in order to fund the FY 2023-24 law enforcement contract.

Reserves – Adequate reserve levels are a necessary component of the City's overall financial management strategy. The City Council's Reserve Policy requires that a minimum of two (2) months of the annual expenditures be held in cash, as recommended by the Government Finance Officers' Association (GFOA).

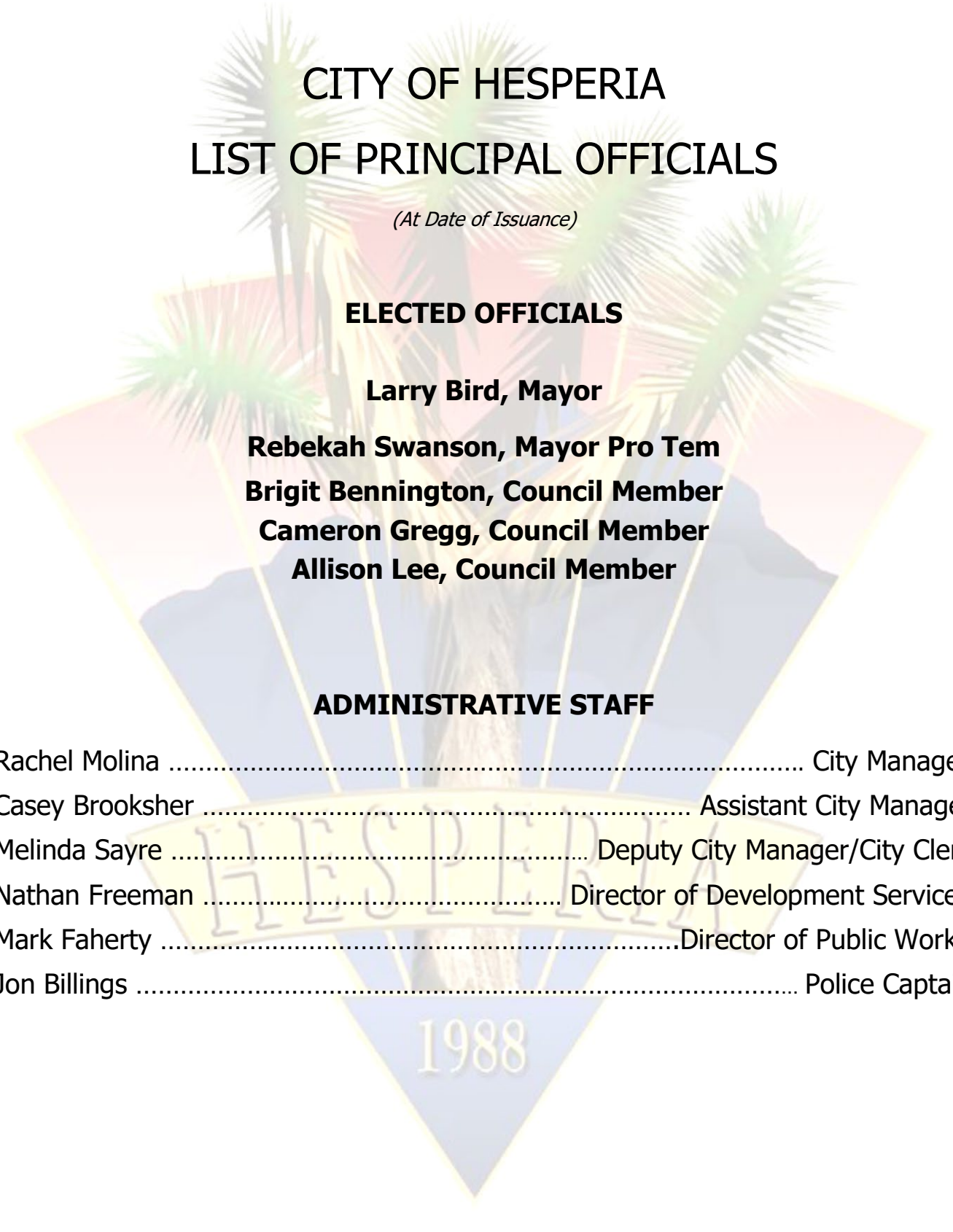
GFOA guidelines state that the adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances but recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. As such, the FY 2023-24 Budget was adopted with the equivalent of 5.6 months of General Fund expenditures held as cash reserves.

The preparation of this annual comprehensive financial report could not have been accomplished without the dedicated service of the Finance Division staff. Their efforts made it possible to prepare the annual comprehensive financial report, thereby improving the quality of the information being reported to the citizens, the City Council, and other users on a timely basis. Appreciation is also expressed to all City departments for their assistance and support in planning and conducting the financial operations of the City during the fiscal year. Appreciation is also expressed to the Mayor, City Council, and City Manager for their steadfast support for maintaining the highest standards of professionalism in the management of the City's finances and for conducting the financial activities of the City in a responsible and prudent manner.

Sincerely,

A handwritten signature in blue ink, appearing to read 'CB', with a long horizontal flourish extending to the right.

Casey Brooksher
Assistant City Manager



CITY OF HESPERIA

LIST OF PRINCIPAL OFFICIALS

(At Date of Issuance)

ELECTED OFFICIALS

Larry Bird, Mayor

Rebekah Swanson, Mayor Pro Tem

Brigit Bennington, Council Member

Cameron Gregg, Council Member

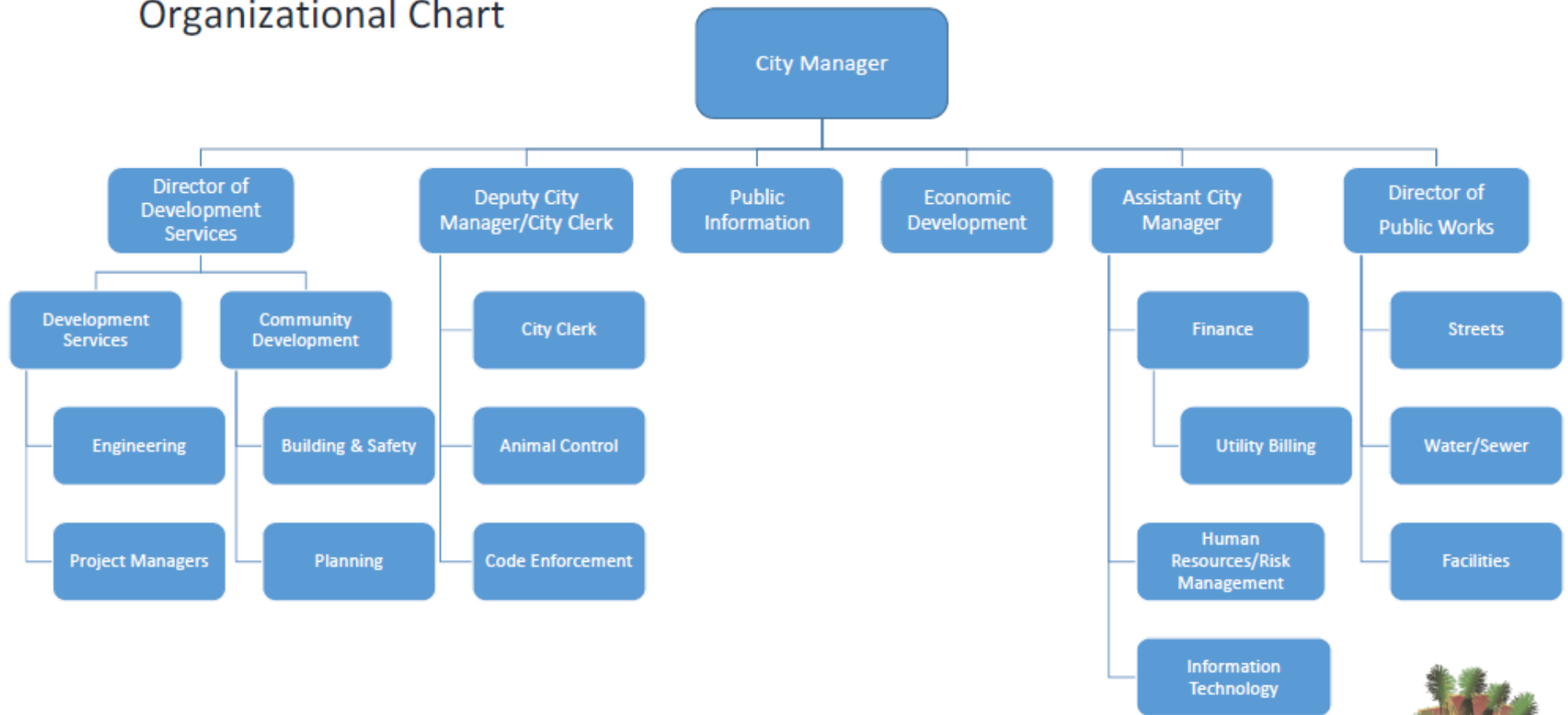
Allison Lee, Council Member

ADMINISTRATIVE STAFF

Rachel Molina	City Manager
Casey Brooksher	Assistant City Manager
Melinda Sayre	Deputy City Manager/City Clerk
Nathan Freeman	Director of Development Services
Mark Faherty	Director of Public Works
Jon Billings	Police Captain

City of Hesperia

Organizational Chart



July 2023





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hesperia
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

Members of City Council
City of Hesperia, California

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of Hesperia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change in Accounting Principle

During the fiscal year ended June 30, 2023, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 of Hesperia's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 of Hesperia'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 of Hesperia'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, Budgetary Comparison Schedules for the General Fund and Major Special Revenue Funds, the Schedules of Contributions-CalPERS Pension Plan – Miscellaneous and Safety, Schedules of Proportionate Share of the Net Pension Liability CalPERS Pension Plan – Miscellaneous and Safety, and the Schedule of Changes in Total OPEB Liability and Related Ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 of Hesperia's basic financial statements. The combining statements, nonmajor individual fund schedules, and budgetary schedule for the city projects major capital projects fund (supplementary information) 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Members of City Council
City of Hesperia, California

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 on our consideration of the City of Hesperia'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 of Hesperia'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 of Hesperia's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Irvine, California
December 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Hesperia's financial performance provides an overview of the City's financial activities for the Fiscal Year (FY) Ended June 30, 2023. Please read this in conjunction with the accompanying transmittal letter, the accompanying basic financial statements, and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2023, the City's (including governmental and business-type activities) assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$356.7 million (*net position*), which is \$44.5 million or 14.3% greater than the \$312.1 million total net position at June 30, 2022. One of the primary factors for this gain are increases of \$22.6 million and \$11.3 million in cash position for both governmental activities and business-type activities, respectively. The increase to governmental activities is partially attributed to an additional \$11.7 million in Federal funds received for the American Rescue Plan Act (ARPA) Grant and a \$9.0 million increase in reimbursements from capital project reimbursements.
- Long-term debt outstanding decreased \$12.0 million during FY 2022-23 primarily due the \$11.3 million payment to retire the 2018 San Bernardino County Transportation Authority (SBCTA) loan for the Ranchero Road/I-15 Interchange Project. Additionally, \$1.1 million debt payment was made on the outstanding lease revenue bonds.
- Capital assets related to Governmental activity increased \$6.5 million during FY 2022-23. The increase is primarily due to a net \$12.5 million increase in construction in progress and a \$3.1 million increase in infrastructure from the completion of an annual street improvement project and a park & ride facility, partially offset by a net \$8.0 million increase in accumulated depreciation and a \$1.3 million decrease due to the removal of machinery and equipment.
- Current and other liabilities increased \$35.4 million to \$87.8 million from \$52.4 million for the period ending June 30, 2023. The factors contributing to the overall increase include a \$34.0 million increase in cash position and a \$8.5 million increase in funds due to other governments that were offset by a \$7.2 million decrease in land held for resale from the sale of property.
- At June 30, 2023, the City's governmental funds reported combined fund balances of \$103.2 million, an increase of \$3.7 million or 3.7%, from \$99.5 million at June 30, 2022. Approximately 17.3% of the \$103.2 million combined fund balance (or \$17.9 million) is available for spending at the City's discretion (*unassigned fund balance*). The main reasons for this increase is a \$1.4 million increase in General Fund intergovernmental revenue, a \$0.7 million increase in charges for services for ongoing operations, and a \$0.6 million increase in interest income.
- As of June 30, 2023, unrestricted fund balance (the total of *assigned* and *unassigned* components of *fund balance*) for the General Fund was \$27.8 million, or approximately 66.4% of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements reflect how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining

statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal 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*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the 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 the blending of three separate legal entities (component units) with the City—the Community Development Commission, the Hesperia Housing Authority, and the Hesperia Fire Protection District. The business-type activities of the City include water service and sewer service, which are provided by the Hesperia Water District.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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 of 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 assessing 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 37 individual governmental funds. 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, American Rescue Plan Act, Development Impact Fees 2018 – City Hall Facilities, Development Impact Fees – Streets, Development Impact Fees 2018 – Streets and City Projects Fund, which are considered major funds. Data from the other thirty-three (31) governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for each fund. A budgetary comparison statement has been provided to demonstrate compliance with the annual budget and can be found on the Budgetary Comparison Schedules within this report.

Proprietary Funds – The City maintains proprietary funds to account for the activities of the Hesperia Water District. These proprietary funds report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Hesperia Water District, which is considered a major fund of the City.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. Accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions and OPEB.

THE CITY AS A WHOLE

Our analysis focuses on the Condensed Statement of Net Position (Table 1) and Changes in Net Position (Table 2) of the City's governmental activities and business-type activities.

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 122,187,932	\$ 152,866,052	\$ 35,887,340	\$ 47,344,375	\$ 158,075,272	\$ 200,210,427
Capital assets	169,365,245	176,588,707	98,356,496	96,817,180	267,721,741	273,405,887
Total Assets	291,553,177	329,454,759	134,243,836	144,161,555	425,797,013	473,616,314
Total deferred outflows of resources	6,734,443	14,617,002	1,938,548	3,742,665	8,672,991	18,359,667
Current and other liabilities	38,872,609	68,454,583	13,489,078	19,310,504	52,361,687	87,765,087
Long-term debt outstanding	43,997,356	33,059,208	6,299,228	6,431,098	50,296,584	39,490,306
Total Liabilities	82,869,965	101,513,791	19,788,306	25,741,602	102,658,271	127,255,393
Total deferred inflows of resources	14,406,925	5,338,654	5,275,337	2,728,696	19,682,262	8,067,350
Net Position:						
Net investment in capital assets	137,889,930	144,131,366	92,650,987	90,486,643	230,540,917	234,618,009
Restricted	77,321,982	81,685,252	385,528	385,528	77,707,510	82,070,780
Unrestricted	(14,201,182)	11,402,698	18,082,226	28,561,751	3,881,044	39,964,449
Total Net Position	\$ 201,010,730	\$ 237,219,316	\$ 111,118,741	\$ 119,433,922	\$ 312,129,471	\$ 356,653,238

The current year saw a net position increase from \$312.1 million to \$356.7 million. This increase of \$44.6 million comes, in part, from a \$42.1 million increase in net position from additional cash received through ongoing operations, grant activities, and tax revenue. Capital assets experienced a net increase by \$5.7 million. Current and other liabilities increased by \$35.4 million, and debt decreased by \$10.8 million largely to the early retirement of a loan from the San Bernardino County Transportation Authority.

Current and other assets:

- Governmental current and other assets increased by \$30.7 million, or 25.1% from June 30, 2022. This increase was primarily due to a net \$22.6 million increase in cash, which is largely attributed to an additional \$11.7 million in Federal funds received for the American Rescue Plan Act (ARPA) Grant, as well as an \$9.0 million increase in reimbursements related to capital projects. Other contributing factors for the increase in current and other assets include a \$8.5 million increase in amounts due from other governmental agencies, a \$4.6 million increase in restricted assets-cash and investments in pension trust, a \$2.7 million increase in notes receivable, a \$2.6 million increase in accounts receivable, and a \$0.7 million increase in accrued interest. These increases were partially offset by a \$7.2 million decrease in land held for resale and a \$3.9 million decrease in restricted assets-cash held for bond reserves.
- Business-type current and other assets experienced an increase of \$11.5 million, or 31.9% during the fiscal year. The main contributing factors include a \$11.3 million increase in cash, a \$0.3 million increase in deposits for self-insurance, a \$0.3 million increase in inventory, a \$0.2 million increase in accrued interest. These increases were offset, in part by, a \$0.6 million decrease in accounts receivable.

Capital assets:

- Governmental capital assets increased by 3.8% or \$6.5 million. This increase is primarily due to a \$12.5 million net increase to construction in progress from ongoing projects, a \$3.1 million increase to infrastructure from completed capital projects, and a \$0.7 million increase from reporting the implementation of Subscription Based Information Technology Agreements (SBITAs). The increase in capital assets was offset by \$8.0 million in net accumulated depreciation and a decrease of \$1.6 million from the disposal of equipment and vehicles.
- Business-type capital assets experienced a decrease of \$2.1 million, net of depreciation. The main factors contributing to the decrease include a \$4.0 million increase in accumulated depreciation partially offset by a \$0.9 million increase in construction in progress, a \$0.8 million increase in land, and a \$0.7 million increase from reporting the implementation of SBITAs.

Current and other liabilities:

- Governmental current and other liabilities increased by \$29.6 million or 76.1% when compared to June 30, 2022. The change is largely due to an increase of \$16.7 million in unearned revenue primarily due to American Rescue Plan Act (ARPA) grant funds, a \$14.2 million increase in net pension liability, and a \$0.7 million increase in accounts payable due to the timing of payments. These increases were partially offset by a \$1.9 million decrease in total OPEB liabilities.
- Business-type current and other liabilities increased by \$5.8 million or 43.2% from the June 30, 2022 total of \$13.5 million. This increase primarily consists of a \$4.0 million increase in net pension liabilities, a \$1.9 million increase in accounts payable as part of ongoing operations, and a \$0.7 million increase in unearned revenue. These increases were offset, in part, by a \$0.8 million decrease in total OPEB liabilities.

Long-term debt outstanding:

- Governmental long-term debt decreased by \$10.9 million from June 30, 2022. This is mainly attributable to the \$11.3 million debt service payment for the early retirement of the loan with the San Bernardino County Transportation Authority (SBCTA) for the Ranchero Road/I-15 Interchange Project. Additionally, a scheduled \$1.1 million debt payment was made on the outstanding lease revenue bonds. These decreases in long-term debt were partially offset by a \$0.6 increase in claims liability, a \$0.5 million increase in subscription-based agreements, and a \$0.3 million increase in leased equipment.
- Business-type long-term debt outstanding activity during the fiscal year resulted in a net increase of \$0.1 million from June 30, 2022. This increase is due to a \$0.3 million increase in subscription-based agreements offset by a \$0.2 million decrease for the payment towards the California State Water Resources Control Board loan.

Net investment in capital assets:

- Governmental net investment in capital assets increased by \$6.3 million or 4.5% during the fiscal year, which is the net increase of capital assets.
- Business-type net investment in capital assets decreased by \$2.2 million or 2.3%, from the year ended June 30, 2022, due in large part to the \$1.5 million net decrease in capital assets and the \$0.2 million California State Water Resources Control Board loan payment.

Restricted:

- Governmental restricted net position increased by \$4.4 million from the year ending June 30, 2022. This increase is primarily due to a \$3.8 million increase in transportation-related fund balance and a \$0.4 million increase in public safety-related fund balance.
- Business-type restricted net position remained unchanged from FY 2021-22.

Unrestricted net position:

- Governmental unrestricted net position increased by \$25.6 million during the fiscal year due in large part to the growth in cash position.
- Business-type unrestricted net position increased by \$10.5 million, from \$18.1 million in FY 2021-22 to \$28.6 million in FY 2022-23, due to an increase in cash position from ongoing operations.

Changes in Net Position

As reflected in Table 2, the City's net position increased by \$44.5 million from the \$312.1 million of the prior fiscal year. The June 30, 2023 total Program Revenues increased by \$22.5 million. This change in total Program Revenues consists of an increase of \$23.8 million in Governmental Activities program offset, in part, by a \$1.3 million decline of business-type charges for services. Program revenue comprised 68.3% of total revenues and funded 102.8% of total expenses. During the fiscal year, expenses increased by \$5.7 million, or 6.9% from June 30, 2022. Development services related expenses increased by \$5.5 million, which is largely from new and ongoing capital projects for infrastructure. Public safety expenses increased \$0.3 million, or 1.5%, due to an increase in the service contract with the San Bernardino County Sheriff's Department for law enforcement and public safety services. General government expenses increased by \$0.1 million from funding ongoing operations. Water expenses decreased by \$0.5 million primarily due to an overall decrease in ongoing operations costs and a decrease in water production costs. Wastewater expenses remained relatively unchanged from June 30, 2022.

Table 2
Changes in Net Position

	Governmental Activities			Business-type Activities			Total		
	2022	2023	Change	2022	2023	Change	2022	2023	Change
Revenues									
Program revenues:									
Charges for services	\$ 19,580,217	\$ 31,112,395	\$ 11,532,178	\$ 33,154,096	\$ 32,354,740	\$ (799,356)	\$ 52,734,313	\$ 63,467,135	\$ 10,732,822
Operating contributions and grants	10,400,259	13,658,179	3,257,920	528,024	-	(528,024)	10,928,283	13,658,179	2,729,896
Capital contributions and grants	4,425,367	13,428,649	9,003,282	-	-	-	4,425,367	13,428,649	9,003,282
Total program revenues	34,405,843	58,199,223	23,793,380	33,682,120	32,354,740	(1,327,380)	68,087,963	90,553,963	22,466,000
General revenues:									
Taxes:									
Property taxes	11,951,542	13,210,009	1,258,467	508,958	717,089	208,131	12,460,500	13,927,098	1,466,598
Sales and use tax	14,642,721	15,453,623	810,902	-	-	-	14,642,721	15,453,623	810,902
Transient occupancy tax	2,013,412	1,899,895	(113,517)	-	-	-	2,013,412	1,899,895	(113,517)
Franchise tax	3,936,383	4,188,869	252,486	-	-	-	3,936,383	4,188,869	252,486
Document transfer tax	567,788	346,286	(221,502)	-	-	-	567,788	346,286	(221,502)
Other Taxes	544,396	402,200	(142,196)	-	-	-	544,396	402,200	(142,196)
Motor vehicle in-lieu	110,966	102,834	(8,132)	-	-	-	110,966	102,834	(8,132)
Unrestricted investment earnings	1,801,658	2,580,969	779,311	(256,590)	621,878	878,468	1,545,068	3,202,847	1,657,779
System improvement and replacement	-	-	-	2,428,104	2,172,386	(255,718)	2,428,104	2,172,386	(255,718)
Insurance Proceeds	30,636	-	(30,636)	-	-	-	30,636	-	(30,636)
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-
Other	105,033	133,294	28,261	239,804	232,488	(7,316)	344,837	365,782	20,945
Total general revenues	35,704,535	38,317,979	2,613,444	2,920,276	3,743,841	823,565	38,624,811	42,061,820	3,437,009
Total revenues	70,110,378	96,517,202	26,406,824	36,602,396	36,098,581	(503,815)	106,712,774	132,615,783	25,903,009
Expenses									
General government	11,109,624	11,235,610	125,986	-	-	-	11,109,624	11,235,610	125,986
Public safety	19,744,311	20,033,730	289,419	-	-	-	19,744,311	20,033,730	289,419
Development services	22,093,720	27,571,092	5,477,372	-	-	-	22,093,720	27,571,092	5,477,372
Interest on long-term debt	1,272,030	1,468,184	196,154	-	-	-	1,272,030	1,468,184	196,154
Water	-	-	-	22,319,170	21,834,936	(484,234)	22,319,170	21,834,936	(484,234)
Wastewater	-	-	-	5,901,154	5,948,464	47,310	5,901,154	5,948,464	47,310
Total expenses	54,219,685	60,308,616	6,088,931	28,220,324	27,783,400	(436,924)	82,440,009	88,092,016	5,652,007
Net position at July 1	184,580,037	201,010,730	16,430,693	102,736,669	111,118,741	8,382,072	287,316,706	312,129,471	24,812,765
Prior Period Adjustment	540,000	-	(540,000)	-	-	-	540,000	-	(540,000)
Net position at July 1, as restated	185,120,037	201,010,730	15,890,693	102,736,669	111,118,741	8,382,072	287,856,706	312,129,471	24,272,765
Net position at June 30	\$ 201,010,730	\$ 237,219,316	\$ 36,208,586	\$ 111,118,741	\$ 119,433,922	\$ 8,315,181	\$ 312,129,471	\$ 356,653,238	\$ 44,523,767

GOVERNMENTAL ACTIVITIES

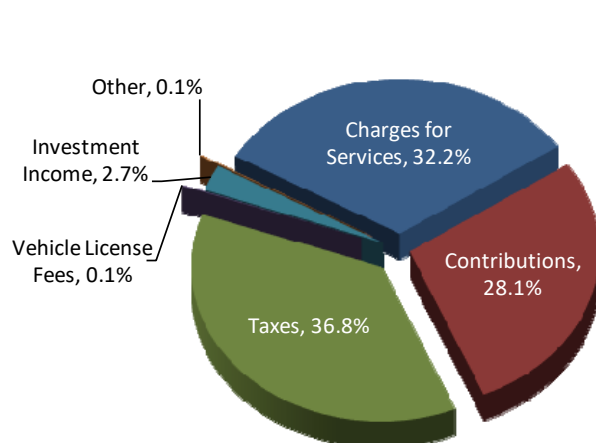
As stated, Fiscal Year 2022-23 program revenues increased \$23.8 million due to: a \$11.5 million rise in charges for services primarily due to large industrial-related development projects; a \$9.0 million increase in capital contributions and grants from capital project reimbursements; and a \$3.3 million increase in operating contributions and grant revenue due to increases in interest income, gas tax revenues, and Measure I funds. The cost of all governmental activities was \$60.3 million, which is an increase of \$6.1 million from Fiscal Year 2021-22. This increase is largely due to a \$5.5 million increase in development services from capital project expenses.

As shown in Table 2, the amount that the taxpayers ultimately financed for these activities was \$2.1 million (\$60.3 million of total expenses less \$58.2 million of total program revenues). The \$58.2 million of program revenues included about \$31.1 million of costs paid by those who directly benefited from the programs and \$13.7 million by other governments and organizations that partially funded certain programs with operating grants and contributions.

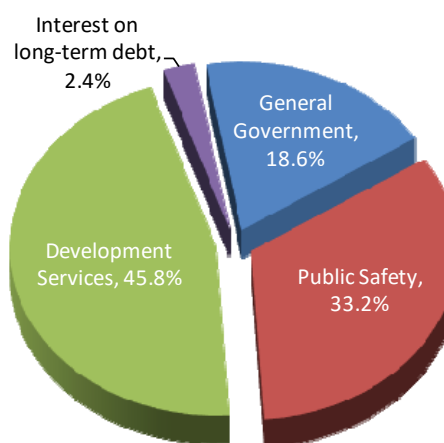
The City covered the outstanding “public benefit” portion of governmental activities using the \$38.3 million of general revenues with \$36.2 million remaining for reserves. The general revenues included taxes (some of which could only be used for certain programs) and other revenues, such as vehicle license fees.

Fiscal Year 2023 Government Activities (see Table 2)

Sources of Revenue



Functional Expenses



The City's programs for governmental activities include General Government, Public Safety (Fire and Police), Development Services, and Interest on Long-Term Debt. The programs for the business type activities include the water and wastewater utilities.

BUSINESS-TYPE ACTIVITIES

The June 30, 2023 net position of \$119.4 million increased \$8.3 million or 7.5% from the prior fiscal year's net position of \$111.1 million. The cost of all Water District activities this year decreased by \$0.4 million or 1.5% from \$28.2 million during FY 2021-22. The contributing factors for the overall decrease in expenses include a \$0.6 million decrease in pension costs and a \$0.4 million decrease in utilities costs related to water production partially offset by a \$0.3 million increase in amortization expenses related to the implementation of the Subscription-based Information Technology Agreements (SBITAs), and a \$0.2 million increase in General and Administrative expenses.

Total revenues decreased \$0.5 million from \$36.6 million to \$36.1 million between FY 2021-22 and FY 2022-23. The most significant factors for the change is a \$0.8 million decrease in operating revenue from water and sewer services and a \$0.5 million decrease in operating grants due to the Water Arrearages Grant received in FY 2021-22, partially offset by a \$0.9 million increase in interest income on investments due to increased interest rates.

As shown in the Changes in Net Position (Table 2), the amount paid by users of the systems was \$32.4 million, which is a decrease of \$1.3 million or 3.9% from the June 30, 2022 total of \$33.7 million. The decrease in charges for services is directly attributable to a \$1.7 million decrease due to sewer connection fees no longer being retained for capital project-related purposes, partially offset by increases of \$0.5 million increase in administrative fees from delinquent customer accounts, a \$0.3 million increase in sewer billing fees, and \$0.2 million increase in reclaimed water sales. Operating contributions and grants decreased \$0.5 million due to the grant-related revenue that was received in FY 2021-22. Non-operating revenues of about \$3.7 million made up the remainder of the \$36.1 million total revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end, the City's governmental funds reported combined fund balances, of \$103.2 million, which is \$3.7 million or 4% more than the June 30, 2022 balance of \$99.5 million.

- **General Fund** At year-end, the fund balance for the General Fund increased \$6.7 million or 22.7% from \$29.5 million in FY 2021-22 to \$36.1 million in FY 2022-23. Revenues exceeded expenditures by \$8.6 million. Additionally, the General Fund transferred out a net amount of \$2.4 million to other funds, which includes \$1.4 million for debt service for the 2012 Water Rights Acquisition and \$1.1 million for PERS obligations related to the former Hesperia Fire Protection District. General Fund revenues of \$50.5 million increased by \$3.3 million due in large part to the following factors:
 - \$1.1 million increase in vehicle license fees received from the State of California
 - \$0.6 million increase in various development-related fees
 - \$0.6 million increase from interest income received on investments due to increased interest rates
 - \$0.3 million increase in general and administrative revenue
 - \$0.3 million increase in collections of administrative and municipal fines

Compared to the prior year, General Fund expenditures increased by \$4.2 million. The primary contributing factors are as follows:

- \$1.4 million increase in the San Bernardino County law enforcement contract costs
- \$0.9 million increase in salaries
- \$0.6 million to establish an Other Post-Employment Benefits (OPEB) Trust fund
- \$0.6 million to purchase water rights
- \$0.3 million increase in health insurance costs due to rising premiums
- \$0.2 million increase in post-employment retirement costs

The General Fund final budget fund balance for FY 2022-23 of \$28.9 million was a decrease of \$0.6 million over the original budget fund balance of \$29.5 million primarily due to an increase of \$0.6 million in Management Services budget appropriations to establish an Other Post-Employment Benefits (OPEB) Trust fund.

The FY 2022-23 year-end fund balance of \$36.1 million was \$7.3 million greater than the final budgeted amounts. The significant budgetary variances include: an additional \$2.4 million in resources from increased development-related activity, a total of \$1.1 million in additional taxes received (\$0.7 million in sales tax and \$0.4 million in transient occupancy tax), an increase of \$0.9 million in administrative and municipal fines, and a \$0.7 million increase in resources from vehicle license fees from the State of California.

- The **American Rescue Plan Act (ARPA)** fund balance increased \$0.3 million from June 30, 2022 due to interest income.
- The **Development Impact Fees 2018 - City Hall Facilities** fund balance increased \$0.3 million from negative \$3.4 million at June 30, 2022 to negative \$3.0 million at June 30, 2023. This increase was primarily attributable to the increase of \$0.3 million received in cash position from charges for service for residential, commercial, and industrial permits.

- The **Development Impact Fees - Streets** fund balance decreased \$7.8 million from \$8.2 million at June 30, 2022 to \$0.4 million at June 30, 2023. This decrease is due to the \$5.2 million payment for the early retirement of the 2018 San Bernardino County Transportation Authority (SBCTA) Loan and the sale of property that resulted in a \$2.6 million note receivable.
- The **Development Impact Fees 2018 - Streets** fund balance at June 30, 2023 was \$6.8 million, which is a decrease of \$1.6 million from the \$8.4 million fund balance reported in FY 2021-22. The decrease of \$1.6 million was primarily attributable to \$4.3 million in project-related expenditures related to the Ranchero Road Improvement and Ranchero Road Aqueduct Crossing projects and a \$6.2 million payment for the early retirement of the 2018 San Bernardino County Transportation Authority (SBCTA) Loan. These decreases were partially offset by \$8.8 million in charges for services for residential, commercial, and industrial permits.
- The **City Capital Projects** fund balance decreased \$3.2 million to a negative \$6.9 million from a negative \$6.9 million at June 30, 2023. This decrease is primarily due to outstanding reimbursements from other agencies for project-related expenditures (\$11.8 million for the Ranchero Road Improvement Project and \$1.0 million for the Ranchero Road Aqueduct Crossing Project).

CAPITAL ASSETS

For governmental activities, the capital assets of the City are those assets that are used in the performance of the City's functions including infrastructure assets. For more detailed information about the City's assets, see *Note 5 Capital Assets*. At June 30, 2023, capital assets, net of depreciation, of the governmental activities totaled \$176.6 million, which reflects an increase of \$6.5 million, from the prior year. As previously described, the increase is primarily due to a \$12.5 million net increase to construction in progress from ongoing projects and a \$3.1 million increase to infrastructure from the completion of capital projects which was offset by \$8.0 million in current year depreciation and a \$1.3 million net decrease in machinery and equipment.

For business-type activities, capital assets are those assets that are used in the performance of the Hesperia Water District's functions including infrastructure assets. At June 30, 2023, capital assets, net of depreciation, totaled \$96.8 million, which is an decrease of \$2.1 million. This decrease is primarily due a net decrease of \$3.9 million for the current year depreciation partially offset by a \$0.9 million increase in construction in progress and a \$0.8 million increase in land.

The City has elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting for the streets. Using the Basic Approach, the City depreciates the value of the streets over a twenty (20) year period. As repaving of street segments is done (overlays must be at least one inch thick), the value of that work will be added and any remaining book value of that segment will be reduced from the streets infrastructure class.

Nonproprietary (governmental activities) infrastructure includes: paved streets, sidewalks, traffic signals, storm drains, and flood control channels. The Hesperia Water District (business-type activities) continues to maintain the water and sewer infrastructure which includes water storage tanks, water pumping equipment, water transmission lines, and sewer lines.

Table 3
Capital Assets at Year-end

	Balance at June 30, 2022*				Balance at June 30, 2023
	Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Net of Accumulated Depreciation
Governmental Activities:					
Land	\$ 6,302,702	\$ -	\$ (186,444)	\$ -	\$ 6,116,258
Water rights	36,413,793	-	-	-	36,413,793
Construction in progress	14,338,129	15,596,548	(3,115,561)	-	26,819,116
Land improvements	4,118,652	-	-	(146,983)	3,971,669
Vehicles	745,392	338,861	(193,864)	45,921	936,310
Buildings and improvements	35,067,586	-	-	(987,346)	34,080,240
Machinery and equipment	1,363,732	342,841	(1,636,165)	1,317,626	1,388,034
Infrastructure	70,917,666	3,115,561	-	(8,120,070)	65,913,157
Leased Equipment	97,593	375,162	(96,414)	51,507	427,848
SBITAs	687,919	44,497	-	(210,134)	522,282
Sub-total Government Activities	<u>\$ 170,053,164</u>	<u>\$ 19,813,470</u>	<u>\$ (5,228,448)</u>	<u>\$ (8,049,479)</u>	<u>\$ 176,588,707</u>
Business-type Activities:					
Land	4,891,129	845,610	(84)	-	5,736,655
Water rights	17,793,410	-	-	-	17,793,410
Construction in progress	214,861	892,434	-	-	1,107,295
Land improvements	1	-	-	-	1
Vehicles	688,566	371,074	(97,563)	(33,493)	928,584
Buildings and improvements	206,464	-	-	(12,529)	193,935
Machinery and equipment	994,324	231,025	(452,607)	233,161	1,005,903
Infrastructure:					
Water facilities	69,063,035	-	-	(3,558,333)	65,504,702
Sewer facilities	4,466,211	-	-	(308,068)	4,158,143
Leased Equipment	38,495	15,688	(44,929)	24,914	34,168
SBITAs	554,236	100,671	-	(300,523)	354,384
Sub-total Business-type Activities	<u>\$ 98,910,732</u>	<u>\$ 2,456,502</u>	<u>\$ (595,183)</u>	<u>\$ (3,954,871)</u>	<u>\$ 96,817,180</u>
Total Capital Assets	<u>\$ 268,963,896</u>	<u>\$ 22,269,972</u>	<u>\$ (5,823,631)</u>	<u>\$ (12,004,350)</u>	<u>\$ 273,405,887</u>

*Restated

DEBT ADMINISTRATION

Debt issued by the City of Hesperia and component governmental units is not the responsibility of the Hesperia Water District (business-type activities); in like manner the debt issued by the Hesperia Water District is not the responsibility of the City of Hesperia and its component governmental units. Outstanding debt is presented within Table 4.

Debt, considered a liability of government activities, decreased in FY 2022-23 by a net of \$12.0 million. This decrease is primarily due to the early retirement of the 2018 San Bernardino County Transportation Authority (SBCTA) Loan and annual debt service payment of the 2012 lease revenue bonds.

Governmental Activities debt decreased by \$11.6 million largely due to the \$11.3 million payment to retire the 2018 SBCTA Loan and the \$1.2 million debt payment made towards the 2012 lease revenue bonds as previously mentioned.

As stated, Business-type activities debt experienced a decrease of a net amount of \$0.4 million in FY 2022-23 primarily due to the \$0.2 million payment towards the California State Water Resources Control Board loan and the \$0.2 million reduction in Subscription-Based Information Technology Agreements (SBITAs).

Additional detailed information on the City of Hesperia's Outstanding Debt is available in the Notes to Basic Financial Statements section, under *Note 6 Long-Term Debt*.

Table 4
Outstanding Debt, at Year-end

	Principal Balance at June 30, 2022*	Additions	Deductions	Principal Balance at June 30, 2023	Due Within One Year
Governmental Activities:					
Loans	\$ 11,257,442	\$ -	\$(11,257,442)	\$ -	\$ -
Revenue bonds	31,385,000	-	(1,155,000)	30,230,000	1,220,000
Less deferred amounts:					
Bond premiums	76,478	-	(3,746)	72,732	-
Bond discounts	(204,020)	-	11,755	(192,265)	-
Leases	97,853	375,162	(46,025)	426,990	86,969
SBITAs	650,919	44,497	(188,940)	506,476	174,317
Compensated absences	822,961	673,082	(638,681)	857,362	840,215
Claims payable	561,642	619,934	(23,663)	1,157,913	456,561
Sub-total Government Activities	<u>\$ 44,648,275</u>	<u>\$ 1,712,675</u>	<u>\$(13,301,742)</u>	<u>\$ 33,059,208</u>	<u>\$ 2,778,062</u>
Business-type Activities:					
Loans	5,705,509	-	(177,581)	5,527,928	179,357
Leases	38,585	15,691	(19,765)	34,511	8,053
SBITAs	554,236	100,671	(308,085)	346,822	314,138
Compensated absences	338,642	264,209	(256,351)	346,500	339,570
Claims payable	216,492	216,802	(257,957)	175,337	69,320
Sub-total Business-type Activities	<u>\$ 6,853,464</u>	<u>\$ 597,373</u>	<u>\$(1,019,739)</u>	<u>\$ 6,431,098</u>	<u>\$ 910,438</u>
Total Outstanding Debt	<u>\$ 51,501,739</u>	<u>\$ 2,310,048</u>	<u>\$(14,321,481)</u>	<u>\$ 39,490,306</u>	<u>\$ 3,688,500</u>

*Restated

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the FY 2023-24 Budget, the estimated revenues budgeted of \$138.0 million are a 4.2% or \$6.0 million decrease from the FY 2022-23 Budget of \$144.0 million. The decrease is largely due to the second and final installment of \$11.7 million in Federal grant funding from the American Rescue Plan received in FY 2022-23. This decrease is offset, in part, by an anticipated increase in General Fund revenues from Vehicle License Fees, General and Administrative Recovery, and Transient Occupancy Tax. Additionally, Revenue for Streets and Transportation funds are expected to increase due to the timing of reimbursements in grant and cooperative agreement funding through the San Bernardino County Transportation Authority (SBCTA), and Development Impact Fees (DIF) collections for several Capital Improvement Program (CIP) projects. Water District funds related to water and sewer operations are also expected to increase.

The following is a discussion of budgeted revenues and expenditures for FY 2023-24:

General Fund: Budgeted revenues are expected to increase \$3.2 million due, in part, to a \$1.1 million increase in vehicle license fees, a \$0.7 million increase in general and administrative revenue, and a \$0.7 million increase in tax-related revenues including sales and use tax and transient occupancy tax. Expenditures for the General Fund are expected to increase \$3.4 million, or 8.1%. The increase in expenditures is mainly attributed to increases related to staffing and a \$1.3 million increase to the police service contract.

Water District: The Hesperia Water District is comprised of Water and Sewer functions. The District's total revenue for the water and sewer funds is expected to increase \$1.6 million. The anticipated increase is largely attributed to sewer billing charges from new residential and commercial development connecting to sewer and an increase in delinquency charges. These increases are partially offset by a decrease in water capital revenues due to an anticipated slowdown in development activity.

The District's expenses are expected to increase by \$2.2 million from the FY 2022-23 Budget of \$35.6 million. The primary reasons for the expenditure increase are due to a \$0.7 million increase in wastewater treatment fees, \$0.6 million increase in general and administrative costs, and \$0.6 million for an upgrade to the water production monitoring system.

Transportation: \$41.3 million is budgeted for CIP transportation projects for FY 2023-24, which includes:

- A total of \$32.9 million budgeted toward Rancho Road related projects, which is comprised of \$18.0 million for improvements from Seventh Avenue to Mariposa Road, \$11.8 million for the Rancho Road Aqueduct Crossing, \$1.5 million for the Rancho Road Improvements – Danbury to I Avenue, \$0.4 million for the Rancho Road Undercrossing post construction mitigation, and \$1.1 million for several new traffic signals.
- \$6.9 million is budgeted for additional street improvement paving projects within the City.
- \$1.5 million is budgeted toward three (3) other street projects for Fiscal Year 2023-24 including a new traffic signal, emergency storm repairs, and traffic signalization along Main Street.

Storm Drainage: \$1.2 million is allotted toward storm drainage projects for FY 2023-24, which includes \$0.9 million for the A-04 Drainage program, \$0.2 million for the C-01 Retention Basin, and \$0.1 million allocated for the H-01 Retention Basin.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the City's Finance Division, at the City of Hesperia, 9700 Seventh Avenue, Hesperia, California 92345.

BASIC FINANCIAL STATEMENTS



CITY OF HESPERIA, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 100,711,789	\$ 37,153,495	\$ 137,865,284
Receivables:			
Accounts	5,109,150	5,870,680	10,979,830
Allowance for Accounts Receivable	(465,517)	-	(465,517)
Accrued Interest	817,793	290,366	1,108,159
Due from Other Governmental Agencies	17,472,778	14,908	17,487,686
Land Held for Resale	18,346,411	-	18,346,411
Inventories	21,971	1,447,721	1,469,692
Deposits	-	36,942	36,942
Internal Balances	(149,892)	149,892	-
Restricted Assets:			
Cash Held for Bond Reserves	2,679,698	-	2,679,698
Cash Held for Settlement	300,005	-	300,005
Cash and Investments in Pension Trust	4,637,817	-	4,637,817
Total Current Assets	<u>149,482,003</u>	<u>44,964,004</u>	<u>194,446,007</u>
Noncurrent Assets:			
Other Noncurrent Assets:			
Notes Receivable	39,868,200	-	39,868,200
Allowance for Notes Receivable	(37,224,200)	-	(37,224,200)
Leases Receivable	33,610	1,157,518	1,191,128
Deposits for Self-Insurance	706,439	1,222,853	1,929,292
Total Other Noncurrent Assets	<u>3,384,049</u>	<u>2,380,371</u>	<u>5,764,420</u>
Capital Assets, Nondepreciable:			
Land	6,116,258	5,736,655	11,852,913
Water Rights	36,413,793	17,793,410	54,207,203
Construction in Progress	26,819,116	1,107,295	27,926,411
Capital Assets, Depreciable:			
Land Improvements	6,135,439	534,168	6,669,607
Buildings and Improvements	48,701,316	4,509,810	53,211,126
Equipment and Vehicles	7,669,957	7,983,836	15,653,793
Infrastructure	209,956,871	-	209,956,871
Water and Sewer Facilities	-	152,576,357	152,576,357
Leases	461,444	41,841	503,285
SBITAs	732,416	654,907	1,387,323
Less: Accumulated Depreciation and Amortization	<u>(166,417,903)</u>	<u>(94,121,099)</u>	<u>(260,539,002)</u>
Total Capital Assets	<u>176,588,707</u>	<u>96,817,180</u>	<u>273,405,887</u>
Total Noncurrent Assets	<u>179,972,756</u>	<u>99,197,551</u>	<u>279,170,307</u>
Total Assets	<u>329,454,759</u>	<u>144,161,555</u>	<u>473,616,314</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Outflows	1,697,980	296,284	1,994,264
Deferred Pension Outflows	12,919,022	3,446,381	16,365,403
Total Deferred Outflows of Resources	<u>14,617,002</u>	<u>3,742,665</u>	<u>18,359,667</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HESPERIA, CALIFORNIA
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable and Other Current Liabilities	\$ 4,861,559	\$ 6,078,653	\$ 10,940,212
Accrued Interest Payable	282,106	25,152	307,258
Deposits	1,655,940	697,169	2,353,109
Due to Other Governments	-	-	-
Total OPEB Liabilities	122,176	43,824	166,000
Compensated Absences	840,215	339,570	1,179,785
Claims Payable	456,561	69,320	525,881
Leases Payable	86,969	8,053	95,022
SBITAs Payable	174,317	314,138	488,455
Long-Term Debt-Due Within One Year	1,220,000	179,357	1,399,357
Total Current Liabilities	<u>9,699,843</u>	<u>7,755,236</u>	<u>17,455,079</u>
Noncurrent Liabilities:			
Unearned Revenue	28,569,393	3,684,256	32,253,649
Compensated Absences	17,147	6,930	24,077
Claims Payable	701,352	106,017	807,369
Lease Liability	340,021	26,458	366,479
SBITA Liability	332,159	32,684	364,843
Loan Payable	-	5,348,571	5,348,571
Long-Term Debt-Due in More than One Year	28,890,467	-	28,890,467
Net Pension Liability	29,917,309	7,688,827	37,606,136
Total OPEB Liabilities	<u>3,046,100</u>	<u>1,092,623</u>	<u>4,138,723</u>
Total Noncurrent Liabilities	<u>91,813,948</u>	<u>17,986,366</u>	<u>109,800,314</u>
Total Liabilities	<u>101,513,791</u>	<u>25,741,602</u>	<u>127,255,393</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Inflows	2,849,325	1,167,985	4,017,310
Deferred Pension Inflows	2,455,973	453,792	2,909,765
Deferred Leases Inflows	<u>33,356</u>	<u>1,106,919</u>	<u>1,140,275</u>
Total Deferred Inflows of Resources	<u>5,338,654</u>	<u>2,728,696</u>	<u>8,067,350</u>
NET POSITION			
Net Investment in Capital Assets	144,131,366	90,486,643	234,618,009
Restricted for:			
Debt Service	6,048,710	385,528	6,434,238
Transportation	41,774,168	-	41,774,168
Air Quality	24,142	-	24,142
Public Safety	6,937,421	-	6,937,421
Economic Development	26,513,843	-	26,513,843
Other Purposes	386,968	-	386,968
Unrestricted	<u>11,402,698</u>	<u>28,561,751</u>	<u>39,964,449</u>
Total Net Position	<u>\$ 237,219,316</u>	<u>\$ 119,433,922</u>	<u>\$ 356,653,238</u>

See accompanying Notes to Basic Financial Statements.

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**CITY OF HESPERIA, CALIFORNIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 11,235,610	\$ 13,578,767	\$ 246,773	\$ -
Public Safety	20,033,730	1,771,731	1,047,012	40,000
Development Services	27,571,092	15,761,897	12,364,394	13,388,649
Interest on Long-Term Debt	1,468,184	-	-	-
Total Governmental Activities	60,308,616	31,112,395	13,658,179	13,428,649
BUSINESS-TYPE ACTIVITIES				
Water	21,834,936	25,968,331	-	-
Sewer	5,948,464	6,386,409	-	-
Total Business-Type Activities	27,783,400	32,354,740	-	-
Total	\$ 88,092,016	\$ 63,467,135	\$ 13,658,179	\$ 13,428,649

See accompanying Notes to Basic Financial Statements.

CITY OF HESPERIA, CALIFORNIA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2023

Functions/Programs	Net (Expense)/Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES			
General Government	\$ 2,589,930	\$ -	\$ 2,589,930
Public Safety	(17,174,987)	-	(17,174,987)
Development Services	13,943,848	-	13,943,848
Interest on Long-Term Debt	(1,468,184)	-	(1,468,184)
Total Governmental Activities	(2,109,393)	-	(2,109,393)
BUSINESS-TYPE ACTIVITIES			
Water	-	4,133,395	4,133,395
Sewer	-	437,945	437,945
Total Business-Type Activities	-	4,571,340	4,571,340
Total	(2,109,393)	4,571,340	2,461,947
GENERAL REVENUES			
Taxes:			
Property Taxes	13,210,009	717,089	13,927,098
Sales and Use Tax	15,453,623	-	15,453,623
Transient Occupancy Tax	1,899,895	-	1,899,895
Franchise Tax	4,188,869	-	4,188,869
Document Transfer Tax	346,286	-	346,286
Other Taxes	402,200	-	402,200
Motor Vehicle in Lieu	102,834	-	102,834
Unrestricted Investment Earnings	2,580,969	621,878	3,202,847
Unrestricted System Improvement and Replacement	-	2,172,386	2,172,386
Other	133,294	232,488	365,782
Total General Revenues	38,317,979	3,743,841	42,061,820
CHANGE IN NET POSITION	36,208,586	8,315,181	44,523,767
Net Position - Beginning of Year	201,010,730	111,118,741	312,129,471
NET POSITION - END OF YEAR	<u>\$ 237,219,316</u>	<u>\$ 119,433,922</u>	<u>\$ 356,653,238</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HESPERIA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	American Rescue Plan Act (ARPA)	Development Impact Fees 2018 - City Hall Facilities	Development Impact Fees Streets
ASSETS				
Cash and Cash Equivalents	\$ 23,202,266	\$ 23,407,775	\$ 1,129,143	\$ 399,295
Restricted Cash and Investments:				
Held for Bond Reserve	-	-	-	-
Settlement	300,005	-	-	-
Pension Trust	3,428,206	-	-	-
Accounts Receivable	3,232,387	-	-	-
Allowance for Accounts Receivable	(465,517)	-	-	-
Accrued Interest	189,923	170,738	8,782	28,413
Notes Receivable	-	-	-	2,644,000
Allowance for Notes Receivable	-	-	-	-
Due from Other Governmental Agencies	2,705,468	-	-	-
Deposits for Self-Insurance	706,439	-	-	-
Leases Receivable	33,610	-	-	-
Due from Other Funds	4,337,017	-	-	-
Land Held for Resale	-	-	-	-
Inventory	21,971	-	-	-
Advance to Other Funds	4,173,324	-	-	-
Total Assets	<u>\$ 41,865,099</u>	<u>\$ 23,578,513</u>	<u>\$ 1,137,925</u>	<u>\$ 3,071,708</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Other				
Current Liabilities	\$ 2,477,407	\$ -	\$ -	\$ 3,600
Deposits	1,655,940	-	-	-
Unearned Revenue	-	23,403,687	-	2,644,000
Due to Other Funds	172,112	-	-	-
Advances from Other Funds	-	-	4,173,324	-
Total Liabilities	<u>4,305,459</u>	<u>23,403,687</u>	<u>4,173,324</u>	<u>2,647,600</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	1,391,834	-	-	-
Leases	33,356	-	-	-
Total Deferred Inflows of Resources	<u>1,425,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Deposits for Self-Insurance	706,439	-	-	-
Inventory	21,971	-	-	-
Advances to Other Funds	4,173,324	-	-	-
Restricted:				
Debt Service	-	-	-	-
Transportation	-	-	-	424,108
Air Quality	-	-	-	-
Public Safety	-	-	-	-
Economic Development	-	174,826	-	-
Pension	3,428,206	-	-	-
Other Purposes	-	-	-	-
Unassigned	27,804,510	-	(3,035,399)	-
Total Fund Balances	<u>36,134,450</u>	<u>174,826</u>	<u>(3,035,399)</u>	<u>424,108</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 41,865,099</u>	<u>\$ 23,578,513</u>	<u>\$ 1,137,925</u>	<u>\$ 3,071,708</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HESPERIA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Development Impact Fees 2018 - Streets	City Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 5,567,924	\$ -	\$ 47,005,386	\$ 100,711,789
Restricted Cash and Investments:				
Held for Bond Reserve	-	-	2,679,698	2,679,698
Settlement	-	-	-	300,005
Pension Trust	-	-	1,209,611	4,637,817
Accounts Receivable	1,871,724	-	5,039	5,109,150
Allowance for Accounts Receivable	-	-	-	(465,517)
Accrued Interest	62,849	-	357,088	817,793
Notes Receivable	-	-	37,224,200	39,868,200
Allowance for Notes Receivable	-	-	(37,224,200)	(37,224,200)
Due from Other Governmental Agencies	-	12,825,337	1,941,973	17,472,778
Deposits for Self-Insurance	-	-	-	706,439
Leases Receivable	-	-	-	33,610
Due from Other Funds	-	-	38,935	4,375,952
Land Held for Resale	-	-	18,346,411	18,346,411
Inventory	-	-	-	21,971
Advance to Other Funds	-	-	-	4,173,324
Total Assets	<u>\$ 7,502,497</u>	<u>\$ 12,825,337</u>	<u>\$ 71,584,141</u>	<u>\$ 161,565,220</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Other				
Current Liabilities	\$ 339,741	\$ 763,647	\$ 1,277,164	\$ 4,861,559
Deposits	-	-	-	1,655,940
Unearned Revenue	-	2,418,582	103,124	28,569,393
Due to Other Funds	16,715	3,736,344	600,673	4,525,844
Advances from Other Funds	-	-	-	4,173,324
Total Liabilities	<u>356,456</u>	<u>6,918,573</u>	<u>1,980,961</u>	<u>43,786,060</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	360,056	12,824,948	-	14,576,838
Leases	-	-	-	33,356
Total Deferred Inflows of Resources	<u>360,056</u>	<u>12,824,948</u>	<u>-</u>	<u>14,610,194</u>
FUND BALANCES				
Nonspendable:				
Deposits for Self-Insurance	-	-	-	706,439
Inventory	-	-	-	21,971
Advances to Other Funds	-	-	-	4,173,324
Restricted:				
Debt Service	-	-	6,048,710	6,048,710
Transportation	6,785,985	-	28,657,311	35,867,404
Air Quality	-	-	24,142	24,142
Public Safety	-	-	6,937,421	6,937,421
Economic Development	-	-	26,339,017	26,513,843
Pension	-	-	1,209,611	4,637,817
Other Purposes	-	-	386,968	386,968
Unassigned	-	(6,918,184)	-	17,850,927
Total Fund Balances	<u>6,785,985</u>	<u>(6,918,184)</u>	<u>69,603,180</u>	<u>103,168,966</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,502,497</u>	<u>\$ 12,825,337</u>	<u>\$ 71,584,141</u>	<u>\$ 161,565,220</u>

See accompanying Notes to Basic Financial Statements.

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CITY OF HESPERIA, CALIFORNIA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2023

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

Total Fund Balances - Governmental Funds		\$ 103,168,966
Capital assets, including leased assets and SBITAs, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.		176,588,707
Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.		(282,106)
Revenues receivable from outside agencies are unavailable on the fund statements, but recognized on the government-wide statements.		14,576,838
The total OPEB liability applicable to the City's governmental activities is not due, and payable in the current period and accordingly is not reported as governmental fund liabilities. Deferred outflows of resources related to OPEB are only reported in the Statement of Net Position, as the changes in these amounts affect only the government-wide statements for governmental activities.		
Deferred Outflow - OPEB	\$ 1,697,980	
Deferred Inflow - OPEB	(2,849,325)	
Total OPEB Liability	<u>(3,168,276)</u>	(4,319,621)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the governmental funds balance sheet.		(33,059,208)
Net pension liability applicable to the City governmental activities is not due and payable in the current period and accordingly is not reported as a governmental fund liability. Additionally, related deferred inflows and outflows of resources are not reported in governmental fund statements. Balances as of year-end are as follows:		
Deferred Outflow	12,919,022	
Deferred Inflow	(2,455,973)	
Net Pension Liability	<u>(29,917,309)</u>	(19,454,260)
Net Position of Governmental Activities		<u><u>\$ 237,219,316</u></u>

CITY OF HESPERIA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	American Rescue Plan Act (ARPA)	Development Impact Fees 2018 - City Hall Facilities	Development Impact Fees Streets
REVENUES				
Taxes	\$ 23,850,539	\$ -	\$ -	\$ -
Licenses and Permits	293,004	-	-	-
Fines and Forfeits	1,797,172	-	-	-
Use of Money and Property	462,550	282,959	12,292	20,633
Intergovernmental	14,570,271	-	-	-
Charges for Services	6,663,412	-	1,181,031	146,971
Grants	96,460	-	-	-
Other Revenues	2,791,452	-	-	401
Total Revenues	<u>50,524,860</u>	<u>282,959</u>	<u>1,193,323</u>	<u>168,005</u>
EXPENDITURES				
Current:				
General Government:				
City Council	990,162	-	-	-
City Manager	3,574,807	-	-	-
Management Services	7,262,760	-	-	-
Public Safety - Police	20,145,418	-	-	-
Public Safety - Fire	-	-	-	-
Development Services	8,879,526	-	-	7,144,000
Debt Service:				
Interest	-	-	97,135	-
Principal	-	-	-	5,237,114
Interest - Leases	3,897	-	-	-
Principal - Leases	46,025	-	-	-
Interest - SBITA	11,648	-	-	-
Principal - SBITA	177,814	-	-	-
Bond Administration	-	-	-	-
Capital Outlay:				
Equipment and Vehicles	421,377	-	-	-
Infrastructure	-	-	-	41,535
Leases	330,505	-	-	-
SBITAs	33,483	-	-	-
Total Expenditures	<u>41,877,422</u>	<u>-</u>	<u>97,135</u>	<u>12,422,649</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>8,647,438</u>	<u>282,959</u>	<u>1,096,188</u>	<u>(12,254,644)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	200,000	-	16,715	-
Transfers Out	(2,572,890)	-	(768,803)	(916)
Proceeds form Sale of Land Held for Resale	-	-	-	4,484,430
Sale of Capital Assets	4,700	-	-	-
Issuance of Leases	375,162	-	-	-
Issuance of SBITAs	33,483	-	-	-
Total Other Financing				
Sources (Uses)	<u>(1,959,545)</u>	<u>-</u>	<u>(752,088)</u>	<u>4,483,514</u>
NET CHANGE IN FUND BALANCES	<u>6,687,893</u>	<u>282,959</u>	<u>344,100</u>	<u>(7,771,130)</u>
Fund Balances (Deficits) - Beginning of Year	<u>29,446,557</u>	<u>(108,133)</u>	<u>(3,379,499)</u>	<u>8,195,238</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 36,134,450</u>	<u>\$ 174,826</u>	<u>\$ (3,035,399)</u>	<u>\$ 424,108</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HESPERIA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Development Impact Fees 2018 - Streets	City Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 23,850,539
Licenses and Permits	-	-	-	293,004
Fines and Forfeits	-	-	-	1,797,172
Use of Money and Property	177,282	1,144	1,227,547	2,184,407
Intergovernmental	-	3,237,540	9,862,704	27,670,515
Charges for Services	8,834,355	-	3,315,387	20,141,156
Grants	-	879,469	666,952	1,642,881
Other Revenues	-	1,818,089	178,763	4,788,705
Total Revenues	<u>9,011,637</u>	<u>5,936,242</u>	<u>15,251,353</u>	<u>82,368,379</u>
EXPENDITURES				
Current:				
General Government:				
City Council	-	-	-	990,162
City Manager	-	-	44,045	3,618,852
Management Services	-	-	-	7,262,760
Public Safety - Police	-	-	-	20,145,418
Public Safety - Fire	-	-	1,093,205	1,093,205
Development Services	-	-	3,635,789	19,659,315
Debt Service:				
Interest	248,901	-	1,157,726	1,503,762
Principal	6,020,328	-	1,155,000	12,412,442
Interest - Leases	-	-	-	3,897
Principal - Leases	-	-	-	46,025
Interest - SBITA	-	-	490	12,138
Principal - SBITA	-	-	11,126	188,940
Bond Administration	-	-	7,120	7,120
Capital Outlay:				
Equipment and Vehicles	-	-	260,325	681,702
Infrastructure	4,337,551	9,135,354	2,075,840	15,590,280
Leases	-	-	-	330,505
SBITAs	-	-	11,014	44,497
Total Expenditures	<u>10,606,780</u>	<u>9,135,354</u>	<u>9,451,680</u>	<u>83,591,020</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,595,143)</u>	<u>(3,199,112)</u>	<u>5,799,673</u>	<u>(1,222,641)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	916	10,623,428	10,841,059
Transfers Out	-	-	(7,498,450)	(10,841,059)
Proceeds form Sale of Land Held for Resale	-	-	-	4,484,430
Sale of Capital Assets	-	-	18,025	22,725
Issuance of Leases	-	-	-	375,162
Issuance of SBITAs	-	-	11,014	44,497
Total Other Financing				
Sources (Uses)	<u>-</u>	<u>916</u>	<u>3,154,017</u>	<u>4,926,814</u>
NET CHANGE IN FUND BALANCES	<u>(1,595,143)</u>	<u>(3,198,196)</u>	<u>8,953,690</u>	<u>3,704,173</u>
Fund Balances (Deficits) - Beginning of Year	8,381,128	(3,719,988)	60,649,490	99,464,793
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 6,785,985</u>	<u>\$ (6,918,184)</u>	<u>\$ 69,603,180</u>	<u>\$ 103,168,966</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HESPERIA, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

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

Net Change in Fund Balances - Total Governmental Funds	\$	3,704,173
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Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:

Capital Outlays	\$ 16,697,909		
Depreciation Expense	(9,923,127)		
Disposals of Assets	<u>(239,239)</u>		6,535,543

Interest expense is recognized when paid on the Statement of Revenues, Expenditures, and Changes in Fund Balances and recognized when incurred on the Statement of Activities.		66,742
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OPEB expenditures reported in the governmental funds includes the actuarial determined contributions. In the Statement of Activities, OPEB expense includes the change in the OPEB liability and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.		610,553
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Revenues received after the availability period are recognized in the government-wide statements and unavailable in the fund statements.		9,664,393
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Pension expenditures reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense included the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		4,001,115
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal Payments on Long-Term Debt	12,412,442		
Principal Payments on Leases	46,025		
Principal Payments on SBITAs	188,940		
Implementation of GASB 96, <i>SBITAs</i>	37,000		
Amortization of Premiums and Discounts	(8,009)		
Issuance of Lease Liabilities	(375,162)		
Issuance of SBITA Liabilities	(44,497)		
Changes to Compensated Absences	(34,401)		
Changes to Claims Payable	<u>(596,271)</u>		<u>11,626,067</u>

Change in Net Position of Governmental Activities	\$	<u><u>36,208,586</u></u>
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See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUNDS

Proprietary funds are represented by two fund types: Enterprise funds and Internal Service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City Council is that the costs of providing goods or services to the general public, on a continuing basis, be financed or recovered primarily through user charges. Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis. The City does not have any Internal Service Funds at the year ended June 30, 2023.

Individual Enterprise funds are as follows:

Water Operations and Capital – To account for the operation, maintenance, and system construction of the City's water operations, which is funded by user charges and other fees.

Sewer Operations and Capital – To account for the operation, maintenance, and system construction of the City's sewer system, which is funded by user charges and other fees.

CITY OF HESPERIA, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Water Operations and Capital	Sewer Operations and Capital	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 19,537,236	\$ 17,616,259	\$ 37,153,495
Receivables:			
Accounts	4,908,551	962,129	5,870,680
Accrued Interest	159,312	131,054	290,366
Due from Other Governmental Agencies	8,636	6,272	14,908
Leases	1,157,518	-	1,157,518
Deposits	14,328	22,614	36,942
Inventories	1,447,721	-	1,447,721
Due from Other Funds	89,393	60,499	149,892
Total Current Assets	<u>27,322,695</u>	<u>18,798,827</u>	<u>46,121,522</u>
Noncurrent Assets:			
Deposits for Self-Insurance	<u>1,098,862</u>	<u>123,991</u>	<u>1,222,853</u>
Capital Assets:			
Land	1,461,771	4,274,884	5,736,655
Water Rights	17,793,410	-	17,793,410
Construction in Progress	286,918	820,377	1,107,295
Land Improvements	534,168	-	534,168
Vehicles	2,208,350	348,661	2,557,011
Machinery and Equipment	4,840,227	586,598	5,426,825
Buildings and Improvements	4,509,810	-	4,509,810
Water and Sewer Facilities	142,842,845	9,733,512	152,576,357
Leased Assets, Right to Use	41,841	-	41,841
SBITA Assets	643,802	11,105	654,907
Less: Accumulated Depreciation	(87,618,642)	(6,194,261)	(93,812,903)
Less: Accumulated Amortization, Leases	(7,673)	-	(7,673)
Less: Accumulated Amortization, SBITA	(297,731)	(2,792)	(300,523)
Total Capital Assets	<u>87,239,096</u>	<u>9,578,084</u>	<u>96,817,180</u>
Total Noncurrent Assets	<u>88,337,958</u>	<u>9,702,075</u>	<u>98,040,033</u>
Total Assets	<u>115,660,653</u>	<u>28,500,902</u>	<u>144,161,555</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Outflows	296,284	-	296,284
Deferred Pension Outflows	2,996,606	449,775	3,446,381
Total Deferred Outflows of Resources	<u>3,292,890</u>	<u>449,775</u>	<u>3,742,665</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HESPERIA, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2023**

	Water Operations and Capital	Sewer Operations and Capital	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 4,534,409	\$ 1,530,796	\$ 6,065,205
Contracts and Retainage Payable	13,448	-	13,448
Accrued Interest Payable	25,018	134	25,152
Deposits	697,169	-	697,169
Total OPEB Liability	43,824	-	43,824
Compensated Absences	307,230	32,340	339,570
Claims Payable	61,408	7,912	69,320
Lease Liability	8,053	-	8,053
SBITA Liability	310,144	3,994	314,138
Loan Payable Due within One Year	179,357	-	179,357
Total Current Liabilities	<u>6,180,060</u>	<u>1,575,176</u>	<u>7,755,236</u>
Noncurrent Liabilities:			
Total OPEB Liability	1,092,623	-	1,092,623
Net Pension Liability	6,685,385	1,003,442	7,688,827
Unearned Revenue	-	3,684,256	3,684,256
Compensated Absences	6,270	660	6,930
Claims Payable	94,692	11,325	106,017
Lease Liability	26,458	-	26,458
SBITA Liability	29,337	3,347	32,684
Loan Payable	5,348,571	-	5,348,571
Total Noncurrent Liabilities	<u>13,283,336</u>	<u>4,703,030</u>	<u>17,986,366</u>
Total Liabilities	<u>19,463,396</u>	<u>6,278,206</u>	<u>25,741,602</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Inflows	1,167,985	-	1,167,985
Deferred Pension Inflows	394,569	59,223	453,792
Leases	1,106,919	-	1,106,919
Total Deferred Inflows of Resources	<u>2,669,473</u>	<u>59,223</u>	<u>2,728,696</u>
NET POSITION			
Net Investment in Capital Assets	81,268,185	9,218,458	90,486,643
Restricted for Debt Service	385,528	-	385,528
Unrestricted	15,166,961	13,394,790	28,561,751
Total Net Position	<u>\$ 96,820,674</u>	<u>\$ 22,613,248</u>	<u>\$ 119,433,922</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HESPERIA, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Water Operations and Capital	Sewer Operations and Capital	Total
OPERATING REVENUES			
Water Sales	\$ 24,516,117	\$ -	\$ 24,516,117
Water Services	1,339,342	-	1,339,342
Sewer Services	-	6,369,839	6,369,839
Other	112,872	16,570	129,442
Total Operating Revenues	<u>25,968,331</u>	<u>6,386,409</u>	<u>32,354,740</u>
OPERATING EXPENSES			
General and Administrative	4,092,746	892,286	4,985,032
Engineering	662,082	115,370	777,452
Production	7,105,771	-	7,105,771
Distribution	2,223,168	-	2,223,168
Wastewater Collection	-	4,547,569	4,547,569
Customer Service	3,536,339	-	3,536,339
Depreciation and Amortization	4,154,688	392,626	4,547,314
Total Operating Expenses	<u>21,774,794</u>	<u>5,947,851</u>	<u>27,722,645</u>
OPERATING INCOME	<u>4,193,537</u>	<u>438,558</u>	<u>4,632,095</u>
NONOPERATING REVENUES (EXPENSES)			
System Improvement and Replacement Fees	2,172,386	-	2,172,386
Property Taxes	717,078	-	717,078
Property Taxes - Debt Service	11	-	11
Rent Income	232,488	-	232,488
Interest Income	320,677	301,201	621,878
Interest Expense	(67,487)	(161)	(67,648)
Gain (Loss) on Disposal of Capital Assets	7,345	(452)	6,893
Total Nonoperating Revenues (Expenses), Net	<u>3,382,498</u>	<u>300,588</u>	<u>3,683,086</u>
CHANGE IN NET POSITION	7,576,035	739,146	8,315,181
Net Position - Beginning of Year	<u>89,244,639</u>	<u>21,874,102</u>	<u>111,118,741</u>
NET POSITION - END OF YEAR	<u>\$ 96,820,674</u>	<u>\$ 22,613,248</u>	<u>\$ 119,433,922</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HESPERIA, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Water Operations and Capital	Sewer Operations and Capital	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Water and Sewer Customers	\$ 26,359,552	\$ 7,140,701	\$ 33,500,253
Cash Received from Other Operating Receipts	112,872	16,570	129,442
Cash Payments for Water Purchases	(5,966,501)	-	(5,966,501)
Cash Payments for Sewer Collection and Maintenance	-	(3,809,364)	(3,809,364)
Cash Payments for Services and Supplies	(2,787,914)	-	(2,787,914)
Cash Payments to Employees for Services	(9,011,139)	(1,275,588)	(10,286,727)
Cash Received from Rent	232,488	-	232,488
Net Cash Provided by Operating Activities	<u>8,939,358</u>	<u>2,072,319</u>	<u>11,011,677</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Property Taxes Received	717,089	-	717,089
Cash Paid to Other Funds	<u>2,579</u>	<u>(16,448)</u>	<u>(13,869)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>719,668</u>	<u>(16,448)</u>	<u>703,220</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(848,461)	(1,491,682)	(2,340,143)
Unrestricted System Improvement and Replacement Receipts	2,172,386	-	2,172,386
Proceeds from Sale of Assets	9,633	-	9,633
Lease payments	(17,119)	(2,646)	(19,765)
SBITA payments	(304,420)	(3,665)	(308,085)
Interest Payments on Long-Term Debt	(66,385)	(27)	(66,412)
Principal Payments on Long-Term Debt	<u>(177,581)</u>	<u>-</u>	<u>(177,581)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>768,053</u>	<u>(1,498,020)</u>	<u>(729,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received	<u>166,424</u>	<u>196,940</u>	<u>363,364</u>
Net Cash Provided by Investing Activities	<u>166,424</u>	<u>196,940</u>	<u>363,364</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,593,503	754,791	11,348,294
Cash and Cash Equivalents - Beginning of Year	<u>8,943,733</u>	<u>16,861,468</u>	<u>25,805,201</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 19,537,236</u></u>	<u><u>\$ 17,616,259</u></u>	<u><u>\$ 37,153,495</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HESPERIA, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Water Operations and Capital	Sewer Operations and Capital	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 4,193,537	\$ 438,558	\$ 4,632,095
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	4,154,688	392,626	4,547,314
Rent income	232,488	-	232,488
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources			
(Increase) Decrease in Accounts Receivable	481,911	85,780	567,691
(Increase) Decrease in Deposits	(307,066)	(38,312)	(345,378)
(Increase) Decrease in Inventory	(251,208)	-	(251,208)
(Increase) Decrease in Due from Other Governments	(2,166)	-	(2,166)
(Increase) Decrease in Deferred Outflows on Pension	(1,682,113)	(228,637)	(1,910,750)
(Increase) Decrease in Deferred Outflows on OPEB	106,633	-	106,633
Increase (Decrease) in Accounts and Claims Payable	1,132,798	706,357	1,839,155
Increase (Decrease) in Customer Deposits	24,348	-	24,348
Increase (Decrease) in Due to Other Governments	-	(2,835)	(2,835)
Increase (Decrease) in Total OPEB Liability	(769,736)	-	(769,736)
Increase (Decrease) in Deferred Revenue	-	685,082	685,082
Increase (Decrease) in Net Pension Liability	3,530,351	472,670	4,003,021
Increase (Decrease) in Compensated Absences	9,184	(1,326)	7,858
Increase (Decrease) in Deferred OPEB Inflows	644,634	-	644,634
Increase (Decrease) in Deferred Inflows on Pension	(2,558,925)	(437,644)	(2,996,569)
Total Adjustments	<u>4,745,821</u>	<u>1,633,761</u>	<u>6,379,582</u>
Net Cash Provided by Operating Activities	<u>\$ 8,939,358</u>	<u>\$ 2,072,319</u>	<u>\$ 11,011,677</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Change in Unrealized Gain (Loss) in Fair Value of Investments	\$ 305,450	\$ 254,487	\$ 559,937

See accompanying Notes to Basic Financial Statements.

FIDUCIARY TYPE FUNDS

Fiduciary Fund types include trust and custodial funds and private-purpose trust funds. Custodial funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Custodial funds are as follows:

Assessment District 91-1 – To account for the Joshua/West Main Street Assessment District special taxes received and the payment of debt service related to bonds issued.

Rancho Las Flores Fund – To account for deposits that are held by the City for the establishment and development of a residential, commercial and retail community.

Community Facilities District 2005 – To account for the restructuring of the Community Facilities District #91-3 debt used to finance the infrastructure of the Belgate development.

Hesperia Fire Protection District – To account for deposits related to residual activity of the former Hesperia Fire Protection District that are held by the City to be remitted to San Bernardino County.

Individual Private-Purpose funds are as follows:

Successor Agency to the Former Hesperia Community Redevelopment Agency – To account for various deposits and debt obligations of the former Hesperia Community Redevelopment Agency that are now under the authority of the Oversight Board.

**CITY OF HESPERIA, CALIFORNIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Custodial Funds	Successor Agency to the Former Hesperia Community Redevelopment Agency Private Purpose Fund
ASSETS		
Cash and Investments	\$ 2,417,854	\$ 8,017,538
Cash and Investments with Fiscal Agent	1,498,064	2,949
Accounts Receivable	33,365	-
Accrued Interest	22,839	44,222
Notes Receivable, Net of Allowance	-	1,021,108
Land Held for Resale	-	2,323,867
Capital Assets:		
Vehicles and Equipment, Net of Depreciation	-	3,762
Total Assets	<u>3,972,122</u>	<u>11,413,446</u>
LIABILITIES		
Accounts Payable	347,796	-
Accrued Interest	-	1,300,163
Long-Term Liabilities:		
Due in one year	-	5,865,000
Due in more than one year	-	91,592,907
Total Liabilities	<u>347,796</u>	<u>98,758,070</u>
DEFERRED INFLOWS OF RESOURCES		
Current Liabilities:		
Gain on Refunding	-	756,897
NET POSITION		
Held for other organizations	3,624,326	-
Held in trust for private purpose	-	(88,101,521)
Total Net Position	<u>\$ 3,624,326</u>	<u>\$ (88,101,521)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HESPERIA, CALIFORNIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Custodial Funds	Successor Agency to the Former Hesperia Community Redevelopment Agency Private Purpose Fund
ADDITIONS		
Taxes	\$ 2,027,374	\$ 9,892,600
Investment and Rental	117,023	67,084
Other	295,468	-
Total Additions	<u>2,439,865</u>	<u>9,959,684</u>
DEDUCTIONS		
Development Services	-	271,456
Administrative	979,766	-
Principal Expense	620,000	-
Interest and Fiscal Expense	683,828	3,447,274
Total Deductions	<u>2,283,594</u>	<u>3,718,730</u>
CHANGE IN NET POSITION	156,271	6,240,954
Total Net Position - Beginning of Period	<u>3,468,055</u>	<u>(94,342,475)</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 3,624,326</u></u>	<u><u>\$ (88,101,521)</u></u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hesperia, California (City), have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

A. Description and Scope of the Reporting Entity

The City of Hesperia (Hesperia) was incorporated on July 1, 1988, under the laws of the state of California and enjoys all the rights and privileges applicable to a general law city. The City's reporting entity includes the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is considered to be financially accountable if it holds a majority equity interest in an organization. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The following component units are controlled by common governing boards, which are substantively the same as the City's. In addition, these component units provide services or other benefits almost entirely to the City, and there is potential for these component units to impose financial burdens on the City. Therefore, these component units have been included in the reporting entity as blended component units.

1. Hesperia Fire Protection District – Originally organized as a subsidiary District circa 1957 under San Bernardino County, and later, on July 1, 1988, became a subsidiary of the City. Transactions of the District are reported as special revenue fund.
2. Hesperia Water District – Formed on March 28, 1975, and later on April 30, 1990, became a subsidiary district of the City. Transactions of the District are reported as enterprise funds.
3. Hesperia Public Facilities Corporation – Established as a separate legal entity on May 4, 1990, to provide financing for various projects of the Hesperia Water District. The Corporation currently includes no activity.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description and Scope of the Reporting Entity (Continued)

4. Hesperia Public Financing Authority – Established as a separate legal entity in March 1993, to provide financing for various City capital projects. Transactions of the Authority are reported as debt service fund.
5. Hesperia Housing Authority – On April 5, 2011, the City of Hesperia adopted Resolution No. 2011-022, establishing the Hesperia Housing Authority, pursuant to California Housing Authority Law, to carry out the future housing function which was relinquished from the former Hesperia Community Redevelopment Agency. Transactions of the Authority are reported as special revenue fund.
6. Community Development Commission – On April 5, 2011, the City adopted Resolution No. 2011-023 for the purpose of establishing a Community Development Commission (CDC) to transact business and exercise powers within the City, including economic development, redevelopment, housing, and community development. Transactions of the District are reported as special revenue fund.
7. Hesperia Joint Public Financing Authority – On October 2, 2012, the City of Hesperia and the Hesperia Water District adopted Resolution 2012-068 (City) and Resolution 2012-09 (Water) for the purpose of establishing the Hesperia Joint Public Financing Authority to provide assistance to the City with its financing programs. Transactions of the District are reported as debt service fund.

Since the City Council serves as the governing board for these component units, all the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations, and so data from these units are reported with the interfund data of the primary government. Only the Hesperia Fire Protection District, the Hesperia Water District, the Hesperia Housing Authority, and Community Development Commission issue separate component unit financial statements. Upon their completion, the financial statements of these component units can be obtained at City Hall. On April 5, 2011, the City Council authorized the creation of two 501(c)(3) charitable trusts (nonprofit corporation). One nonprofit corporation will support affordable housing, while the second nonprofit corporation will support economic development. As of June 30, 2023, the nonprofit corporation to support economic development has not been legally formed.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which to a significant extent, rely on user fees and charges for support.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. The exceptions to this rule are the charges between the water operations fund and sewer operations fund and the other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses for given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position (i.e., fund balances) as presented in these statements to the net position presented in the government-wide financial statements.

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows for each proprietary fund.

The City reports the following major governmental funds:

The **General Fund** is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **American Rescue Plan Act (ARPA) Special Revenue Fund** is used to account for funds received from ARPA due to the COVID-19 pandemic.

The **Development Impact Fees 2018 – City Hall Facilities Special Revenue Fund** is used to account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's facilities to better serve the growing populace.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The **Development Impact Fees – Streets Special Revenue Fund** is used to account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's streets.

The **Development Impact Fees 2018 – Streets Special Revenue Fund** is used to account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's streets.

The **City Projects Capital Projects Fund** is used to account for funds designated for various capital projects, including the acquisition and construction of major capital facilities, throughout the City.

The City reports the following major proprietary funds:

The **Water Operations and Capital Enterprise Fund** is used to account for the operation and maintenance of the City's water operations which, is funded by user charges and other fees.

The **Sewer Operations and Capital Enterprise Fund** is used to account for the operation and maintenance of the City's sewer systems, which is funded by user charges and other fees.

The City's fund structure also includes the following fund types:

The **Special Revenue Funds** are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The **Debt Service Funds** are used to account for the accumulation of resources and the payment of general obligation bond principal and interest from governmental resources.

The **Capital Projects Funds** are used to account for financial resources used for the acquisition or construction of major capital facilities.

The **Fiduciary Funds** include private-purpose, trust, and custodial funds. The private-purpose trust fund is used to account for the assets and liabilities of the former Redevelopment Agency. Custodial funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary statements, even though excluded from the government-wide financial statements, represent trust and custodial funds which are custodial in nature.

Successor Agency Private-Purpose Trust Fund – This fund holds assets and accumulates resources to pay enforceable obligations and administrative costs of the former Hesperia Community Redevelopment Agency after the date of dissolution.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Custodial Funds – This fund is used to account for various deposits that are held by the City for other organizations. The monies in this fund are returned to the depositor upon completion of projects and/or fulfillment of purpose.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Private-purpose trust funds are reported using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Proprietary fund equity is classified as net position.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are recognized as soon as they are both measurable and available. Revenues considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting; however, debt service payments (principal and interest), unpaid vacation, compensatory time, and claims and judgments are recorded only when payment is due.

Property taxes, sales tax, transient occupancy tax, franchise tax, vehicle license fees, highway users tax, interest associated with the current period, and some grants are all susceptible to accrual and have been recognized as revenue in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

D. Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the City reporting a SBITA asset and a SBITA liability as disclosed in Note 5 and Note 6.

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 90 days or less. The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

The City's proprietary fund participates in the pooling of City-wide cash and investments. Amounts held in the City pool are available to the fund on demand and are considered to be cash and cash equivalents for statement of cash flow purposes. Investments not held in the City pool that are short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings, changes in fair value, any gains or losses realized upon liquidation, maturity, or sale of investments.

The City pools investments of all funds, except assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a quarterly basis, based on each fund's average cash and investment balance.

G. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as inter-fund receivables or inter-fund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due. Management estimates all remaining trade and tax receivables (without an allowance) at June 30, 2023, to be collectible, as any receivables deemed uncollectible have been written off. The City's fiscal year-end falls in the middle of a billing cycle for water and sewer. In order to accrue the amount of the year-end receivables, the City estimates the amount of unbilled receivables based on that portion of the billing cycle that has elapsed as of the fiscal year-end.

H. Inventory

Inventories are valued at cost on a first-in, first-out basis. The inventory consists of meters, pipes, and other parts required providing water and wastewater services to customers and is recorded on the consumption basis.

I. Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets, which include land, buildings, building improvements, infrastructure, equipment, leases, and SBITAs are depreciated and are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. City policy has set the capitalization threshold for reporting capital assets at \$5,000 that have a useful life of more than one year. The City also records the value of the intangible right-to-use assets and subscription-based information technology arrangements (SBITA) based on the underlying lease assets and SBITA guidance.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, storm drains, bridges, and right of way corridors within the City.

Capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Construction in progress costs are capitalized and transferred to their respective capital asset category upon completion of the project.

Depreciation is charged to operations using the straight-line method, based on the estimated useful life of an asset. Also, the right to use intangible assets, such as lease assets and SBITAs, are amortized each year for the term of the contract. Land and construction in progress are not depreciated:

	Years
Buildings	30 - 50
Improvements	20
Machinery and Equipment	5 - 30
Vehicles	8 - 20
Water and Sewer Facilities	40
Infrastructure	20

K. Restricted Assets

The primary government reports assets that are restricted for funds held in trust that are restricted for debt service payments, funds held in trust that are restricted for pension payment, and funds held in escrow restricted for a settlement agreement.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Claims and Judgements

When it is probable that a claim 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 under its self-insurance program. At June 30, 2023, in the opinion of the City's Attorney, the City had no material unrecorded claims that would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenditures when paid. Payments are typically paid from the General Fund, Fire District fund, and the Proprietary funds. The various amounts are based on information provided by the City's claims administrators.

M. Compensated Absences

Vacation pay is payable to employees at the time used or upon termination of employment. In the government-wide financial statements (i.e. statement of net position and statement of activities) the cost of vacation is recorded as a liability when incurred for both governmental and business-type activities. Compensated absences, once exercised, are paid out of the same fund, as they were originally accrued in including the following governmental funds: General Fund, Street Maintenance Fund, Community Development Block Grant Fund, and the following enterprise funds: Water Fund and Sewer Fund.

N. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds, using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Long-term obligation payments are typically paid from the same fund as they originated, including City Debt Service.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflow of resources reported in the government wide statement of net position and the proprietary funds financial statements and is related to pension and other postemployment benefits. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 8 and 9, respectively.

In addition to liabilities, the statement of net position and the Governmental Funds Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City's deferred inflows of resources reported on the government wide statement of net position and the proprietary funds financial statements relate to pension and other postemployment benefits, which are more fully discussed in Notes 8 and 9, respectively. The City's deferred inflows of resources reported on the government wide statement of net position and proprietary funds financial statements also include balances related to leases for amounts not yet received. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are available or earned.

Deferred inflows from *unavailable revenues*, which arises only under a modified accrual basis of accounting, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, which is grants and charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Net Position

In the government-wide financial statements and proprietary fund statements, net position is reported in three categories:

- Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt and payables that are attributed to the acquisition, construction, or improvement of the assets.
- Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position (Continued)

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's practice to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Q. Fund Balances

Fund balance reported on the fund statements consists of the following categories:

- The nonspendable fund balance category typically includes inventories, prepaid items, deposits for self-insurance and other items that by definition are not in spendable form or legally or contractually required to be maintained intact.
- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment by adoption of a resolution. Resolutions designate that the City Administrator or designee is to carry out the action authorized by the resolution. The City has no committed fund balance.
- The assigned fund balance category is intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Administrator or designee has the authority to establish, modify, or rescind a fund balance assignment through adoption of a resolution authorized by the Council. The City has no assigned fund balance.
- Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance in other governmental funds is limited to any negative residual fund balance.

It is the City policy to consider committed amounts to be used first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. In addition, when both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Property Taxes

Real property taxes are levied on October 15 against owners of record on January 1. The taxes are due in two installments (on November 1 and February 1) and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the year.

S. Leases

When the City is a lessee, a lease liability and a lease asset is recognized at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

When the City is a lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

T. Subscription-Based Information Technology Arrangements (SBITAs)

The City recognizes a SBITA liability and a SBITA asset at the commencement of the SBITA term, unless the SBITA is a short-term contract. The SBITA liability should be measured at the present value of payments expected to be made during the contract term. The SBITA asset should be measured at the amount of the initial measurement of the SBITA liability plus implementation costs.

U. Pensions

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

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and assumptions.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments at June 30, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Cash Equivalents	\$ 137,865,284
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Restricted Assets:

Cash Held for Bond Reserves	2,679,698
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Cash Held for Settlement	300,005
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Cash and Investments in Pension Trust	4,637,817
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Statement of Net Position - Fiduciary Funds:

Current Assets:

Cash and Investments	10,435,392
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Cash and Investments with Fiscal Agent	1,501,013
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Total Cash and Investments	<u>\$ 157,419,209</u>
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Cash and investments as of June 30, 2023 consist of the following:

Cash on Hand	\$ 15,875
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Deposits with Financial Institutions	2,563,671
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Investments	154,839,663
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Total Cash and Investments	<u>\$ 157,419,209</u>
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**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City of Hesperia's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy. This table also does not address investments of the employer contributions to the pension and OPEB trusts that are governed by the agreement between the City and the trustees, rather than the general provisions of the California Government code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 Years	Unlimited	None
U.S. State or Local Agency Securities	5 Years	Unlimited	None
Banker's Acceptances	180 Days	25%	5%
Commercial Paper	270 Days	15%	10%
Negotiable Certificates of Deposit	5 Years	25%	None
Repurchase Agreements	1 Year	20%	None
Local Agency Investment Fund (LAIF)	N/A	Unlimited	None
Medium-Term Notes	5 Years	30%	None
Mutual and Money Market Funds	N/A	20%	10%
Collateralized Bank Deposits	5 Years	10%	None
Investment Pools	N/A	30%	None
Municipal Bonds	5 Years	10%	None
Supranational Obligations	5 Years	30%	None
Public Bank Obligations	5 Years	100%	None

Investments Authorized by Debt Agreements

Investments authorized for funds held by bond trustees include U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Bankers' Acceptances, Money Market Mutual Funds, Repurchase Agreements, Investment Contracts, and any other investments permitted by bond insurer and are legal investments under state laws. There were no limitations on the maximum amount that can be invested in one issuer or maximum percentage allowed.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that a change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

Investment Type		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
LAIF	\$ 145,721,130	\$ 145,721,130	\$ -	\$ -	\$ -
Held by Fiscal Agent:					
Money Market Funds	4,180,711	4,180,711	-	-	-
Held for Settlement:					
Money Market Funds	300,005	300,005	-	-	-
Held in Pension Trust:					
Money Market Funds	26,053	26,053	-	-	-
Exchange-Traded Funds:					
Small Cap U.S. Equity	23,533	23,533	-	-	-
Large Cap U.S. Equity	1,117,528	1,117,528	-	-	-
International Equity	765,681	765,681	-	-	-
Emerging Market Equity	183,458	183,458	-	-	-
U.S. Core Bonds	1,381,994	1,381,994	-	-	-
U.S. High Yield Bonds	46,173	46,173	-	-	-
Real Estate	47,013	47,013	-	-	-
Other	1,046,384	1,046,384	-	-	-
Total	<u>\$ 154,839,663</u>	<u>\$ 154,839,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to 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. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year ended for each investment type.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk (Continued)

Investment Type		Minimum Legal Rating	Rating as of Year-End	
			AAA	Not Rated
LAIF	\$ 145,721,130	N/A	\$ -	\$ 145,721,130
Held by Fiscal Agent:				
Money Market Funds	4,180,711	AAA	4,180,711	-
Held for Settlement:				
Money Market Funds	300,005	N/A	300,005	-
Held in Pension Trust:				
Money Market Funds	26,053	N/A	26,053	-
Exchange-Traded Funds:				
Small Cap U.S. Equity	23,533	N/A	-	23,533
Large Cap U.S. Equity	1,117,528	N/A	-	1,117,528
International Equity	765,681	N/A	-	765,681
Emerging Market Equity	183,458	N/A	-	183,458
U.S. Core Bonds	1,381,994	N/A	-	1,381,994
U.S. High Yield Bonds	46,173	N/A	-	46,173
Real Estate	47,013	N/A	-	47,013
Other	1,046,384	N/A	-	1,046,384
Total	<u>\$ 154,839,663</u>		<u>\$ 4,506,769</u>	<u>\$ 150,332,894</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2023, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pool) that represent 5% or more of the City's investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The 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 deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investment in LAIF

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

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The City's investments in LAIF, money market mutual funds, and exchange-traded funds are not subject to the fair value hierarchy.

NOTE 3 NOTES RECEIVABLE

Notes receivable, totaling \$39,868,200 at June 30, 2023, consists of loans forgivable and nonforgivable loans that have maturity of up to 55 years. Due to the terms of the notes, an offsetting allowance for notes receivable of \$39,868,200 has been established.

Notes receivable at June 30, 2023, include the following:

	June 30, 2022	Additions	Deductions	June 30, 2023
A. KDF VAH I, L.P.	\$ 7,134,329	\$ 72,020	\$ -	\$ 7,206,349
B. KDF Hesperia, L.P.	6,794,612	126,833	-	6,921,445
C. KDF Hesperia II, L.P.	8,120,668	145,102	-	8,265,770
D. PDDC San Remo I Hesperia, L.P.	4,435,634	39,557	(28,904)	4,446,287
E. PDDC San Remo II Hesperia, L.P.	6,062,884	55,757	(108,722)	6,009,919
F. Eagle Hesperia 55, L.P.	4,290,531	76,639	(334,345)	4,032,825
G. Homebuyer Assistance Program	341,605	-	-	341,605
H. XMG Holdings LLC and Park CSR 50 LLC	-	2,644,000	-	2,644,000
Totals	<u>\$ 37,180,263</u>	<u>\$ 3,159,908</u>	<u>\$ (471,971)</u>	<u>\$ 39,868,200</u>

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 NOTES RECEIVABLE (CONTINUED)

A. KDF VAH I, L.P.

In July 2006, the former Redevelopment Agency entered into an Owner Participation Agreement (OPA) with KDF VAH I, L.P. (a California limited partnership) for the development, construction, and operation of a 68-unit apartment complex of which certain units shall be available to very low-income tenants, low-income tenants, and moderate income tenants. Under the terms of the OPA, the City and Hesperia Community Redevelopment Agency (HCRA) loaned \$6,334,000 of its HOME grant and low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. There are three loans for terms of not more than 55 years: (1) a \$2.9 million loan bearing an interest rate of 1%; (2) a \$3.0 million bearing an interest rate of 1%; and (3) a \$0.4 million loan bearing an interest rate of 3%. The agreements are secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the notes through June 30, 2023, is \$872,350. The balance of the loans outstanding at June 30, 2023, was \$7,206,349. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

B. KDF Hesperia, L.P.

In December 2005, the former Redevelopment Agency entered into an Owner Participation Agreement (OPA) with KDF Hesperia, L.P. (a California limited partnership) for the development, construction, and operation of a 110-unit apartment complex of which certain units shall be available to very low-income tenants, low-income tenants, and moderate income tenants. Under the terms of the OPA, the City and Hesperia Community Redevelopment Agency (HCRA) loaned \$4,662,500 of its HOME grant and low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. There are two loans for terms of not more than 55 years: (1) a \$1.3 million loan bearing an interest rate of 1%, and (2) a \$3.4 million loan bearing an interest rate of 3%. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. On February 1, 2012, the Housing Authority issued a loan of \$398,589 to assist with converting the construction loan to a permanent loan. The agreements are secured by a deed of trust on the property. Accrued interest on the notes through June 30, 2023, is \$1,860,356. The balance of the loans outstanding at June 30, 2023, was \$6,921,445. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 NOTES RECEIVABLE (CONTINUED)

C. KDF Hesperia II, L.P.

In March 2006, the former Redevelopment Agency entered into an Owner Participation Agreement (OPA) with KDF Hesperia II, L.P. (a California limited partnership) for the development, construction, and operation of a 72-unit apartment complex of which certain units shall be available to very low-income tenants, low-income tenants, and moderate income tenants. Under the terms of the OPA, the City and Hesperia Community Redevelopment Agency (HCRA) loaned \$5,900,000 of its HOME grant and low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. There are two loans for terms of not more than 55 years: (1) a \$2.0 million loan bearing an interest rate of 1%, and (2) a \$3.9 million bearing an interest rate of 3%. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. On February 1, 2012, the Housing Authority issued a loan of \$270,070 to assist with converting the construction loan to a permanent loan. The agreements are secured by a deed of trust on the property. Accrued interest on the notes through June 30, 2023, is \$2,095,700. The balance of the loans outstanding at June 30, 2023, was \$8,265,770. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

D. PDDC San Remo Hesperia, L.P.

In November 2007, the former Redevelopment Agency entered into an Owner Participation Agreement (OPA) with PDDC San Remo Hesperia, L.P. (Palm Desert Development Company, and a California limited partnership) for the development, construction, and operation of a 65-unit apartment complex of which certain units shall be available to very low-income tenants and low-income tenants. Under the terms of the OPA, the Agency loaned \$3,955,711 of its low and moderate-income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than 55 years and shall bear interest at a rate of 1%. The agreement is secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the note through June 30, 2023, is \$490,576. The balance of the loan outstanding at June 30, 2023, was \$4,446,287. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 NOTES RECEIVABLE (CONTINUED)

E. PDDC San Remo II Hesperia, L.P.

On October 5, 2010, the former Redevelopment Agency entered into an Owner Participation Agreement (OPA) with PDDC San Remo Hesperia, L.P. (Palm Desert Development Company, and a California limited partnership) for the development, construction, and operation of a 58-unit apartment complex of which certain units shall be available to very low-income and low-income tenants. Under terms of the OPA, the Agency loaned \$6,613,620 of its low and moderate-income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than 55 years and shall bear interest at a rate of 1%. The agreement is secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the note through June 30, 2023, is \$483,592 and principal and interest payment received throughout entirety of loan is \$1,377,143. The balance of the loan outstanding at June 30, 2023, was \$6,009,919.

F. Eagle Hesperia 55, L.P.

On February 16, 2016, the former HCRA entered into an OPA with Eagle Hesperia 55 L.P. (a California limited partnership) for the development, construction, and operation of a 96-unit apartment complex of which certain units shall be available to low income senior citizens. Under the terms of the OPA, the Authority loaned \$3,831,975 of its low and moderate-income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of 55 years, with the option of extending the term up to 24 years; the option must be exercised between the 53rd year and 54th year. The loan shall bear interest at a rate of 2%. The agreement is secured by a deed of trust on the property. Accrued interest on the note through June 30, 2023, is \$200,852. The balance of the loan outstanding at June 30, 2023, was \$4,032,825. Any unpaid balance is due and payable at the maturity date.

G. Homebuyer Assistance Program

On July 17, 2012 the City Council and Housing Authority adopted Joint Resolution No. 2012-061 and HHA 2012-010 approving implementation of the Seller Mortgage Carryback Program (SMCP) that carried back a portion of the sale price of properties as a second mortgage loan and; the SMCP will enable the City and HHA to fund the amount needed to make the purchase price of single family residential properties affordable to households whose income is 50% AMI or below, in the form of a thirty (30) year deferred, zero interest bearing loan. The SMCP loan is secured by a second deed of trust on the property. There were no principal payments received during the fiscal year ended June 30, 2023. At June 30, 2023, four of the five loans are outstanding with total balance of \$341,605.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 NOTES RECEIVABLE (CONTINUED)

H. XMG Holdings LLC and Park CSR 50 LLC

On March 15, 2022, the City and XMG Holdings LLC and Park CSR 50 LLC (collectively, the "Buyer") entered into an agreement for the purchase and sale of a land parcel for the price of \$7,144,000. On February 15, 2023, the sale of the land closed, and title passed to the buyer. The land sold was previously recorded in the Development Impact Fees Streets Special Revenue Fund as land held for resale. The sale of land resulted in cash proceeds of \$4,484,430 and a promissory note of \$2,644,000 in the fiscal year ended June 30, 2023. The promissory note is secured by a deed of trust on the property in the full amount of the note. Payment of the promissory note is due upon the City completing a sewer capital project. Due to this requirement, the promissory note receivable is offset by unearned revenue equal to the full amount of the promissory note of \$2,644,000, which is reflected in the balance sheet of the Development Impact Fees Streets Special Revenue Fund. Revenue will be recognized when the capital project is complete since at this point the funds will be earned. The balance of the loan outstanding at June 30, 2023, was \$2,644,000 and there is no interest charged on the note.

NOTE 4 LEASES

The City, acting as lessor, leases parcels of land for communications towers under long-term, noncancelable lease agreements. The leases expire at various dates through 2031, provide for renewal options in five-year increments, and have interest rates ranging from 0.83% to 2.38%. During the year ended June 30, 2023, the City recognized \$218,250 and \$26,333 in lease revenue and interest revenue, respectively, pursuant to these contracts. Leases receivable activity and balances are as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Leases receivable	\$ 1,387,516	\$ -	\$ (196,388)	\$ 1,191,128
General Fund				\$ 33,610
Water Operations and Capital Enterprise Fund				<u>1,157,518</u>
				<u>\$ 1,191,128</u>

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS

Depreciation expense was allocated as follows for the year ended June 30, 2023:

Governmental Activities:

General Government	\$ 88,176
Public Safety	110,452
Development Services	<u>9,469,458</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 9,668,086</u></u>

Governmental Activities:

General Government	\$ 255,041
Total Amortization Expense - Governmental Activities	<u><u>\$ 255,041</u></u>

Business-Type Activities:

Water	\$ 4,154,688
Sewer	<u>392,626</u>
Total Depreciation and Amortization Expense - Business-Type Activities	<u><u>\$ 4,547,314</u></u>

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2022, Restated (1)	Increases	Decreases	Balance at June 30, 2023
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 6,302,702	\$ -	\$ (186,444)	\$ 6,116,258
Water Rights	36,413,793	-	-	36,413,793
Construction in Progress	14,338,129	15,596,548	(3,115,561)	26,819,116
Total Capital Assets, not Being Depreciated	<u>57,054,624</u>	<u>15,596,548</u>	<u>(3,302,005)</u>	<u>69,349,167</u>
Capital Assets Being Depreciated:				
Land Improvements	6,135,439	-	-	6,135,439
Vehicles	3,316,648	338,861	(193,864)	3,461,645
Buildings and Improvements	48,701,316	-	-	48,701,316
Machinery and Equipment	5,501,636	342,841	(1,636,165)	4,208,312
Infrastructure	206,841,310	3,115,561	-	209,956,871
Total Capital Assets, Being Depreciated	<u>270,496,349</u>	<u>3,797,263</u>	<u>(1,830,029)</u>	<u>272,463,583</u>
Less Accumulated Depreciation for:				
Land Improvements	(2,016,787)	(146,983)	-	(2,163,770)
Vehicles	(2,571,256)	(147,943)	193,864	(2,525,335)
Buildings and Improvements	(13,633,730) *	(987,346)	-	(14,621,076)
Machinery and Equipment	(4,137,904)	(265,744)	1,583,370	(2,820,278)
Infrastructure	<u>(135,923,644) *</u>	<u>(8,120,070)</u>	<u>-</u>	<u>(144,043,714)</u>
Total Accumulated Depreciation	<u>(158,283,321)</u>	<u>(9,668,086)</u>	<u>1,777,234</u>	<u>(166,174,173)</u>
Total Capital Assets, Being Depreciated, Net	<u>112,213,028</u>	<u>(5,870,823)</u>	<u>(52,795)</u>	<u>106,289,410</u>
Leased Assets Being Amortized:				
Right to Use Asset - Equipment	182,696	375,162	(96,414)	461,444
Accumulated Amortization	<u>(85,103)</u>	<u>(44,907)</u>	<u>96,414</u>	<u>(33,596)</u>
Total Leased Assets, Being Amortized, Net	<u>97,593</u>	<u>330,255</u>	<u>-</u>	<u>427,848</u>
SBITA Assets Being Amortized:				
SBITA Assets	687,919	44,497	-	732,416
Accumulated Amortization	<u>-</u>	<u>(210,134)</u>	<u>-</u>	<u>(210,134)</u>
Total SBITA Assets, Being Amortized, Net	<u>687,919</u>	<u>(165,637)</u>	<u>-</u>	<u>522,282</u>
Governmental-Type Activities Capital Assets, Net	<u>\$ 170,053,164</u>	<u>\$ 9,890,343</u>	<u>\$ (3,354,800)</u>	<u>\$ 176,588,707</u>

(1) The beginning balance was restated due to the implementation of GASB Statement No. 96, *SBITAs*. See Note 1.

* \$8,680,453 was reclassified from infrastructure to buildings and improvements accumulated depreciation to correct the classification of certain depreciation amounts.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2022, Restated (2)	Increases	Decreases	Balance at June 30, 2023
Business-Type Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 4,891,129	\$ 845,610	\$ (84)	\$ 5,736,655
Water Rights	17,793,410	-	-	17,793,410
Construction in Progress	214,861	892,434	-	1,107,295
Total Capital Assets, not Being Depreciated	22,899,400	1,738,044	(84)	24,637,360
Capital Assets Being Depreciated:				
Land Improvements	534,168	-	-	534,168
Vehicles	2,283,500	371,074	(97,563)	2,557,011
Machinery and Equipment	5,648,407	231,025	(452,607)	5,426,825
Buildings and Improvements	4,509,810	-	-	4,509,810
Water Facilities	142,842,845	-	-	142,842,845
Sewer Facilities	9,733,512	-	-	9,733,512
Total Capital Assets, Being Depreciated	165,552,242	602,099	(550,170)	165,604,171
Less Accumulated Depreciation for:				
Land Improvements	(534,167)	-	-	(534,167)
Vehicles	(1,594,934)	(131,056)	97,563	(1,628,427)
Machinery and Equipment	(4,654,083)	(216,790)	449,951	(4,420,922)
Buildings and Improvements	(4,303,346)	(12,529)	-	(4,315,875)
Water Facilities	(73,779,810)	(3,558,333)	-	(77,338,143)
Sewer Facilities	(5,267,301)	(308,068)	-	(5,575,369)
Total Accumulated Depreciation	(90,133,641)	(4,226,776)	547,514	(93,812,903)
Total Capital Assets, Being Depreciated, Net	75,418,601	(3,624,677)	(2,656)	71,791,268
Leased Assets Being Amortized:				
Right to Use Asset - Equipment	71,082	15,688	(44,929)	41,841
Accumulated Amortization	(32,587)	(20,015)	44,929	(7,673)
Total Leased Assets, Being Amortized, Net	38,495	(4,327)	-	34,168
SBITA Assets Being Amortized:				
SBITA Assets	554,236	100,671	-	654,907
Accumulated Amortization	-	(300,523)	-	(300,523)
Total SBITA Assets, Being Amortized, Net	554,236	(199,852)	-	354,384
Business-Type Activities Capital Assets, Net	<u>\$ 98,910,732</u>	<u>\$ (2,090,812)</u>	<u>\$ (2,740)</u>	<u>\$ 96,817,180</u>

(2) The beginning balance was restated due to the implementation of GASB Statement No. 96, *SBITAs*. See Note 1.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT

Following is a summary of the changes in principal balance of long-term debt for the year ended June 30, 2023:

	Principal Balance at June 30, 2022, as Restated (3)	Additions	Deductions	Principal Balance at June 30, 2023	Due Within One Year
Governmental Activities:					
Direct Borrowings:					
Loans	\$ 11,257,442	\$ -	\$ (11,257,442)	\$ -	\$ -
Other Debt:					
Revenue Bonds	31,385,000	-	(1,155,000)	30,230,000	1,220,000
Less Deferred Amounts:					
Bond Premiums	76,478	-	(3,746)	72,732	-
Bond Discounts	(204,020)	-	11,755	(192,265)	-
Total Revenue Bonds	<u>31,257,458</u>	<u>-</u>	<u>(1,146,991)</u>	<u>30,110,467</u>	<u>1,220,000</u>
Leases	97,853	375,162	(46,025)	426,990	86,969
SBITA Liabilities	650,919	44,497	(188,940)	506,476	174,317
Other Long-Term Liabilities:					
Compensated Absences	822,961	673,082	(638,681)	857,362	840,215
Claims Payable	<u>561,642</u>	<u>619,934</u>	<u>(23,663)</u>	<u>1,157,913</u>	<u>456,561</u>
Total Governmental Activity	<u>44,648,275</u>	<u>1,712,675</u>	<u>(13,301,742)</u>	<u>33,059,208</u>	<u>2,778,062</u>
Business-Type Activities:					
Direct Borrowings:					
Loans	5,705,509	-	(177,581)	5,527,928	179,357
Other Debt:					
Leases	38,585	15,691	(19,765)	34,511	8,053
SBITA Liabilities	554,236	100,671	(308,085)	346,822	314,138
Other Long-Term Liabilities:					
Compensated Absences	338,642	264,209	(256,351)	346,500	339,570
Claims Payable	<u>216,492</u>	<u>216,802</u>	<u>(257,957)</u>	<u>175,337</u>	<u>69,320</u>
Total Business-Type Activity	<u>6,853,464</u>	<u>597,373</u>	<u>(1,019,739)</u>	<u>6,431,098</u>	<u>910,438</u>
Entity-Wide Total	<u>\$ 51,501,739</u>	<u>\$ 2,310,048</u>	<u>\$ (14,321,481)</u>	<u>\$ 39,490,306</u>	<u>\$ 3,688,500</u>

(3) The beginning balance was restated due to the implementation of GASB Statement No. 96, *SBITAs*. See Note 1.

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Governmental long-term debt June 30, 2023, is composed of the following:

	<u>Balance at June 30, 2023</u>
<u>2012 Lease Revenue Bonds Water Rights Acquisition</u> On December 13, 2012, the Hesperia Joint Public Financing Authority (Authority) issued the 2012 Lease Revenue Bonds in the amount of \$26,735,000 to finance the acquisition of certain water rights. The issue bears interest at fixed rates ranging from 2.000% to 4.000%. The issue matures through the year 2042, with principal payments ranging from \$435,000 to \$1,400,000. A reserve fund for the 2012 Lease Revenue Bonds was established at \$1,452,131 to be equal to the least of: (1) 10% of the original principal amount of the bonds; (2) 125% of the average annual debt service on the bonds; or (3) the maximum annual debt service. Some of the tranches of the bonds were issued at a premium of \$112,377 and the remainder were issued at a discount of \$196,400 both of which are being netted against the bonds and amortized over the life of the bonds. At June 30, 2023, a total of \$1,494,969 was held in reserve. The 2012 Lease Revenue Bonds are secured by and paid from a lien on revenues, consisting primarily of rental payments made by the City to the Authority under a property lease between the Authority as lessor and the City as lessee beginning on December 1, 2012 and ending on October 1, 2042. The pledged rental payments equaled the debt service of \$1,436,075 during fiscal year ended June 30, 2023.	\$ 20,620,000
<u>2013 Refunding of the 2005 Variable Certificates of Participation</u> On October 10, 2013, the Hesperia Joint Public Financing Authority issued the 2013 Refunding Lease Revenue Bonds in the amount of \$12,445,000 to refund the 2005 Civic Plaza Financing bonds in the amount of \$12,200,000, which resulted in a current refunding. The 2013 Refunding bonds were issued at a discount of \$114,570, which is being amortized over the life of the 2013 Refunding bonds. The issue bears interest at fixed rates ranging from 2.000% to 5.000%. The issue matures through the year 2035, with principal payments ranging from \$230,000 to \$1,095,000. The 2005 bonds were called on November 1, 2013. A reserve fund for the 2013 Refunding Lease Revenue Bonds was established to be equal to the least of: (1) 10% of total proceeds of the bonds; (2) 125% of the average annual debt service payments; or (3) the maximum annual debt service payments on the outstanding certificates. The pledged rental payments equaled the debt service of \$876,650 during fiscal year ended June 30, 2023, and a total of \$1,183,668 was held in reserve at year-end.	9,610,000

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT (CONTINUED)

Governmental long-term debt June 30, 2023, is composed of the following (continued):

	<u>Balance at June 30, 2023</u>
<u>2018 San Bernardino County Transportation Authority Loan</u>	
On May 1, 2018, the City of Hesperia approved a loan from the San Bernardino County Transportation Authority in the amount of \$18,762,403 to fund the City's share of the construction of an interchange at Interstate 15 and Ranchero Road. The loan bore interest at variable rates based on the December quarterly Local Agency Investment Fund (LAIF). The issue was set to mature on March 15, 2028, with principal payments of \$1,876,240 plus accrued interest. No reserve requirement is associated with this loan. The loan is paid from Development Impact Fee-Streets revenue by March 15 of each fiscal year. This loan was paid in full during the fiscal year ended June 30, 2023.	\$ -
Leases	426,990
SBITAs	506,476
Compensated Absences	857,362
Claims Payable	<u>1,157,913</u>
Subtotal Governmental Long-Term Debt	33,178,741
Less: Net Deferred Amounts on Bonds	<u>(119,533)</u>
Total Governmental Long-Term Debt Before Current Portion	33,059,208
Less: Current Portion – Due Within One Year	<u>(2,778,062)</u>
Total Long-Term Portion of Governmental Debt	<u>\$ 30,281,146</u>

The business-type long-term debt as of June 30, 2023, is as follows:

	<u>Balance at June 30, 2023</u>
<u>State Revolving Fund Loan</u>	
On December 15, 2015, the Hesperia Water District Board of Directors approved a California Clean Water State Revolving Fund Loan with the California State Water Resources Control Board to finance the construction of a reclaimed water pipeline distribution system. State approval was obtained on September 23, 2016 in an amount up to \$9,946,413 at 1% interest, with repayment of principal and interest on the 30-year loan commencing one year after the completion of construction. Construction was completed in 2020 and total draws amounted to \$6,012,919.	\$ 5,527,928
Leases	34,511
SBITAs	346,822
Compensated Absences	346,500
Claims Payable	<u>175,337</u>
Subtotal Business-Type Long-Term Debt	6,431,098
Less: Current Portion – Due Within One Year	<u>(910,438)</u>
Total Long-Term Portion of Business-Type Debt	<u>\$ 5,520,660</u>

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT (CONTINUED)

The annual debt service requirements by year for Revenue Bonds are as follows:

Governmental			
Fiscal Year Ending	Principal	Interest	Total
2024	\$ 1,220,000	\$ 1,115,925	\$ 2,335,925
2025	1,275,000	1,077,678	2,352,678
2026	1,335,000	1,036,431	2,371,431
2027	1,395,000	990,931	2,385,931
2028	1,465,000	941,281	2,406,281
2029 - 2033	8,485,000	3,800,788	12,285,788
2034 - 2038	8,530,000	1,922,619	10,452,619
2039 - 2043	6,525,000	608,184	7,133,184
Total	<u>\$ 30,230,000</u>	<u>\$ 11,493,837</u>	<u>\$ 41,723,837</u>

The annual debt service requirements by year for Loans Payable are as follows:

Business-Type			
Fiscal Year Ending	Principal	Interest	Total
2024	\$ 179,357	\$ 55,279	\$ 234,636
2025	181,150	53,486	234,636
2026	182,962	51,674	234,636
2027	184,791	49,845	234,636
2028	186,639	47,997	234,636
2029 - 2033	961,568	211,611	1,173,179
2034 - 2038	1,010,617	162,562	1,173,179
2039 - 2043	1,062,169	111,010	1,173,179
2044 - 2048	1,116,350	56,829	1,173,179
2049 - 2050	462,325	6,946	469,271
Total	<u>\$ 5,527,928</u>	<u>\$ 807,239</u>	<u>\$ 6,335,167</u>

Leases

The City leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028, do not contain renewal options, and have interest rates ranging from 0.3% to 3.5%.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT (CONTINUED)

Leases (Continued)

Total future minimum lease payments under lease agreements are as follows:

Governmental				Business-Type			
Fiscal Year				Fiscal Year			
Ending	Principal	Interest	Total	Ending	Principal	Interest	Total
2024	\$ 86,969	\$ 13,268	\$ 100,237	2024	\$ 8,053	\$ 978	\$ 9,031
2025	89,987	10,250	100,237	2025	8,313	718	9,031
2026	93,110	7,127	100,237	2026	8,582	449	9,031
2027	93,208	3,899	97,107	2027	7,909	173	8,082
2028	63,716	998	64,714	2028	1,654	16	1,670
	<u>\$ 426,990</u>	<u>\$ 35,542</u>	<u>\$ 462,532</u>		<u>\$ 34,511</u>	<u>\$ 2,334</u>	<u>\$ 36,845</u>

The lease liability is recorded as follows:

Lease Liability by Fund	
Water Fund	\$ 34,511
Subtotal - Business-Type Activities	34,511
Governmental Activities	426,990
	<u>\$ 461,501</u>

SBITAs

The City has entered into subscription based-information technology arrangements (SBITAs) for various software, cloud services, and online system subscriptions. The SBITA arrangements expire at various dates through 2026 and provide for renewal options. The City's SBITA arrangements do not have variable payments.

As of June 30, 2023, governmental activities SBITA assets and the related accumulated amortization totaled \$732,416 and \$210,134, respectively. As of June 30, 2023, business-type activities SBITA assets and the related accumulated amortization totaled \$654,907 and \$300,523, respectively. See more details of these balances in Note 5, Capital Assets.

The future subscription payments under SBITA agreements are as follows:

Governmental				Business-Type			
Fiscal Year				Fiscal Year			
Ending	Principal	Interest	Total	Ending	Principal	Interest	Total
2024	\$ 174,317	\$ 11,803	\$ 186,120	2024	\$ 314,138	\$ 5,487	\$ 319,625
2025	171,354	7,678	179,032	2025	32,684	1,090	33,774
2026	160,805	3,630	164,435	2026	-	-	-
	<u>\$ 506,476</u>	<u>\$ 23,111</u>	<u>\$ 529,587</u>		<u>\$ 346,822</u>	<u>\$ 6,577</u>	<u>\$ 353,399</u>

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT (CONTINUED)

SBITAs (Continued)

SBITA liabilities are recorded as follows:

SBITA Liabilities by Fund	
Water Fund	\$ 339,481
Sewer Fund	7,341
Subtotal - Business-Type Activities	<u>346,822</u>
Governmental Activities	506,476
	<u><u>\$ 853,298</u></u>

NOTE 7 INTERFUND TRANSACTIONS

A. Due From/Due To

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of current interfund balances as of June 30, 2023:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 4,337,017	City Projects Capital Projects Fund	\$ 3,736,344
		Other Governmental Funds	600,673
Other Governmental Funds	38,935	General Fund	30,960
		Development Impact Fees 2018 - Streets Special Revenue fund	7,975
Water Operations and Capital	89,393	General Fund	89,393
Sewer Operations and Capital	60,499	General Fund	51,759
		Development Impact Fees 2018 - Streets Special Revenue fund	8,740
Total Due from Other Funds	<u><u>\$ 4,525,844</u></u>	Total Due to Other Funds	<u><u>\$ 4,525,844</u></u>

The General Fund provided temporary cash advances to other funds. The interfund balances represent the advancement of cash to cover operating expenses. These will be repaid to the General Fund in the next fiscal period.

The Other Governmental Funds, Water Operations Fund, and Sewer Operations Fund provided temporary cash advances to the General Fund, Development Impact Fees 2018- Streets Special Revenue Fund, and Other Governmental Funds to provide temporary funds to cover operating expenses.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 INTERFUND TRANSACTIONS (CONTINUED)

B. Current Interfund Transfers

<u>Transfers Out</u>	<u>Amount</u>	<u>Transfers in</u>	<u>Amount</u>
General Fund	\$ 2,572,890	Other Governmental Funds	\$ 2,572,890
Development Impact Fees 2018 - City Hall Facilities	768,803	Other Governmental Funds	768,803
Development Impact Fees Streets Special Revenue Fund	916	City Projects Capital Projects Fund	916
Other Governmental Funds	7,498,450	General Fund	200,000
		Development Impact Fees 2018 - City Hall Facilities	16,715
		Other Governmental Funds	7,281,735
Total Transfers Out	<u>\$ 10,841,059</u>	Total Transfers In	<u>\$ 10,841,059</u>

The transfer of \$2,572,890 between the General Fund and Other Government Funds consists of the following: (1) Transfer of \$1,442,075 to the 2012 Water Rights Acquisition Fund was for debt service of the 2012 Water Rights Acquisition bonds; (2) Transfer of \$1,130,815 to the Fire District to fund the CalPERS obligation of the Hesperia Fire Protection District.

The transfer of \$768,803 between the Development Impact Fees 2018-City Hall Facilities Special Revenue Fund and Other Governmental Funds (2013 Refunding of Lease Revenue Bonds) was for debt service of the 2013 Refunding of Lease Revenue Bonds.

The transfer of \$200,000 between the Other Governmental Funds (AB 3229 State COPS Program Fund) and General Fund to offset some of the cost for Deputy Sheriffs.

The transfer of \$16,715 between the Other Governmental Funds (Development Impact Fees – Public Services) and the Development Impact Fees 2018 – City Hall Facilities fund to move the residual balance of certain fees.

The transfer of \$916 between the City Projects Capital Projects Fund and the Development Impact Fees – Streets Special Revenue Fund for miscellaneous fees.

The transfer of \$3,745,794 between the Other Governmental Funds (Measure I Renewal Fund for \$1,750,000, Gas Tax Fund for \$1,400,000, and Gas Tax Swap for \$595,794) to the Other Governmental Fund (Streets Maintenance Fund) was for local street maintenance costs.

The transfer of \$3,535,941 between the Other Governmental Funds (Community Development Block Grant) and the Other Governmental Fund (Neighborhood Stabilization Program) for administrative costs and rental income.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 INTERFUND TRANSACTIONS (CONTINUED)

C. Advances

The 2013 Refunding of the 2005 Variable Certificates of Participation originally required that the Development Impact Fees – Public Services Fund (DIF – Public Services) contribute 87.25% of the annual debt service, with the remaining 12.75% coming from the General Fund. Due to changes in the City's fee structure in the collection of Development Impact Fees, this loan commitment was transferred from the DIF – Public Services fund to the Development Impact Fees 2018 – City Hall Facilities (DIF 2018 – City Hall Facilities).

To meet this requirement, in addition to funds loaned in previous years, the General Fund did not need to transfer additional funds to the DIF 2018 – City Hall Facilities fund during the fiscal year ended June 30, 2023. This loan is ongoing until there is sufficient funding in the DIF 2018 – City Hall Facilities fund. The issue bears quarterly variable interest based on the Local Agency Investment Fund Quarterly Apportionment Rate, which at June 30, 2023, had a rate of 3.15%. Through June 30, 2023, the DIF 2018 – City Hall Facilities fund has paid \$97,134 of interest to the General Fund. The total at June 30, 2023, is \$4,173,324.

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety and Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 2.7% at 55 formula, eligibility for service retirement is age 55 with at least five years of services. PEPPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five years of service.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

A. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous		
	Fire (1)		
	Prior to January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Hire Date			
Benefit Formula	2.7%@55	2%@55	2%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50 - 55+	52 - 63+	52 - 67+
Monthly Benefits, as a % of Eligible			
Compensation	2.0% to 2.7%	1.4% to 2.4%	1.0% to 2.5%
Required Employee Contribution Rates (1)	7.956%	0.000%	6.750%
Required Employer Contribution Rates:			
Normal Cost Rate	14.030%	0.000%	7.470%
	Safety		
Benefit Formula	2%@50		
Benefit Vesting Schedule	5 Years of Service		
Benefit Payments	Monthly for Life		
Retirement Age	50 - 55+		
Monthly Benefits, as a % of Eligible			
Compensation	2.0% to 2.7%		
Required Employee Contribution Rates (1)	0.000%		
Required Employer Contribution Rates:			
Normal Cost Rate	0.000%		
Payment of Unfunded Liability	\$	1,067,577	

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

A. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. During the fiscal year, the City contributed \$3,665,142 and \$1,067,577 to the miscellaneous and safety plan, respectively, for total contributions of \$4,732,719. Pension liabilities are liquidated from the related employees' home program, with the majority funded out of the Water and Sewer Enterprise Fund for such specifically identified employees and the General Fund for the majority of remaining employees.

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

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	City	Water District	Fire District	Total
Miscellaneous	\$ 19,607,429	\$ 7,688,827	\$ 202,937	\$ 27,499,193
Safety	-	-	10,106,943	10,106,943
Total Net Pension Liability	<u>\$ 19,607,429</u>	<u>\$ 7,688,827</u>	<u>\$ 10,309,880</u>	<u>\$ 37,606,136</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2021 and 2022, was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2021	0.71403%	0.16588%
Proportion - June 30, 2022	0.58769%	0.14708%
Change - Increase (Decrease)	-0.12634%	-0.01880%

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

The City recognized pension expense (income) of \$23,374 and \$(196,068) for the fiscal year ended June 30, 2023 for miscellaneous and safety plans, respectively, for a total net pension expense (income) of \$(172,694), and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous - City		Miscellaneous - Water District		Miscellaneous - Fire	
	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 Contributions Subsequent to Measurement Date	\$ 2,647,769	\$ -	\$ 991,750	\$ -	\$ 25,623	\$ -
Differences Between Actual and Expected Experience	393,754	(263,720)	154,407	(103,415)	4,076	(2,730)
Change in Assumptions	2,009,191	-	787,881	-	20,795	-
Change in Employer's Proportion	(6,795)	(665,968)	103,955	(78,588)	-	(44,435)
Change in Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	(5,836)	(538,876)	-	(271,789)	5,836	-
Net Differences Between Projected and Actual Earnings on Plan Investments	3,591,561	-	1,408,388	-	37,173	-
Total	<u>\$ 8,629,644</u>	<u>\$ (1,468,564)</u>	<u>\$ 3,446,381</u>	<u>\$ (453,792)</u>	<u>\$ 93,503</u>	<u>\$ (47,165)</u>
	Total (Miscellaneous)		Safety - Fire		Total (Miscellaneous and Safety)	
	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 Contributions Subsequent to Measurement Date	\$ 3,665,142	\$ -	\$ 1,067,577	\$ -	\$ 4,732,719	\$ -
Differences Between Actual and Expected Experience	552,237	(369,865)	418,289	(109,753)	970,526	(479,618)
Change in Assumptions	2,817,867	-	1,019,086	-	3,836,953	-
Change in Employer's Proportion	97,160	(788,991)	94,895	(118,873)	192,055	(907,864)
Change in Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	(810,665)	-	(711,618)	-	(1,522,283)
Net Differences Between Projected and Actual Earnings on Plan Investments	5,037,122	-	1,596,028	-	6,633,150	-
Total	<u>\$ 12,169,528</u>	<u>\$ (1,969,521)</u>	<u>\$ 4,195,875</u>	<u>\$ (940,244)</u>	<u>\$ 16,365,403</u>	<u>\$ (2,909,765)</u>

\$4,732,719 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Miscellaneous				Safety - Fire
Year Ending June 30,	City	Water District	Fire District	Total	
2024	\$ 1,008,136	\$ 498,413	\$ (1,130)	\$ 1,505,419	\$ 457,407
2025	845,026	419,709	(340)	1,264,395	424,115
2026	463,430	221,298	(551)	684,177	332,934
2027	2,196,719	861,419	22,736	3,080,874	973,598
2028	-	-	-	-	-
Thereafter	-	-	-	-	-

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

Deferred amounts related to the net difference in projected and actual earnings are amortized over five years. Deferred amounts related to the differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between the City's contributions and proportionate share of contributions are amortized over a closed period equal to the average of the expected remaining service lives of all employees provided with pensions through the plans.

Actuarial Assumptions

The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increase	(1)	(4)
Mortality Rate Table	(2)	(2)
Postretirement Benefit Increase	(3)	(3)

(1) Varies by entry age and service.

(2) Derived using CalPERS' Membership Data for all Funds.

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

(3) Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.

(4) The plan has no active members; therefore, there is no salary increase.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

Long-Term Expected Rate of Return

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

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

Asset Class (a)	Assumed Asset Allocation	Real Return (a) (b)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(a) An expected inflation of 2.3% was used for this period.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 periods of projected benefit payments to determine the total pension liability.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

Change in Assumptions

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30% from the measurement date June 30, 2021 to June 30, 2022.

Sensitivity of the 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 for each Plan calculated using the discount rate of for each Plan, 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 one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous			
	City	Water	Fire	Safety - Fire
1% Decrease	5.90%	5.90%	5.90%	5.90%
Net Pension Liability	\$ 29,763,970	\$ 11,666,647	\$ 283,640	\$ 14,731,742
Current Discount Rate	6.90%	6.90%	6.90%	6.90%
Net Pension Liability	\$ 19,607,429	\$ 7,688,827	\$ 202,937	\$ 10,106,943
1% Increase	7.90%	7.90%	7.90%	7.90%
Net Pension Liability	\$ 11,251,116	\$ 4,416,068	\$ 136,539	\$ 6,327,215

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payables to the Pension Plan

At June 30, 2023, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The City provides other postemployment benefits (OPEB) through a single-employer defined benefit health-care plan. During fiscal year 2022-2023, the City entered into agreements with Shuster Advisory Group LL, Charles Schwab Trust Bank, and ALTA Trust Company to join other entities in an OPEB and pension 115 Trust. Since this trust was not created as of the end of the measurement date ended June 30, 2022, the following note disclosure still shows the plan as single-employer instead of agent multiple-employer. The plan, which is administered by the City, provides certain health-care benefits. Specifically, the City provides health insurance for its retired employees according to the Personnel Rules and Regulations. The authority to do so is included annually in the Memorandum of Understanding between the City and each of its employee groups and ultimately passed by Council action. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a separate report.

Employees Covered

As of the June 30, 2022, measurement date, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees, Spouses, or Beneficiaries	
Currently Receiving Benefits	47
Inactive Employees Entitled to but Not Yet	
Receiving Benefits	62
Active Employees	167
Total	<u>276</u>

Benefit Payments

Benefit payment requirements are established by City policy and may be amended by the City Council. For the year ended June 30, 2023, the City made \$79,859 contributions in the form of premium payments, \$88,448 in implicit subsidy benefit payments and administrative expense of \$1,114 for a total current benefits paid of \$166,803. In May 2023, the City established a Section 115 Trust for Pension and OPEB for which \$600,000 was contributed for OPEB. Total contributions, including payments to the trust, totaled \$769,421 for the fiscal year ended June 30, 2023. The contributions to the OPEB plan are generally made from the General Fund and Water Enterprise Fund.

Total OPEB Liability

The City's OPEB liability of \$4,304,723 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022, measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Projected Salary Increase	Aggregate - 2.75%
Health-Care Cost Trend Rates	Non-Medicare - 8.50% for 2024, decreasing to 3.45% in 2076 Medicare - 7.50% for 2024, decreasing to 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2023, decreasing to 3.45% in 2076
Mortality, Retirement, Disability, Termination	Derived from CalPERS 2000 - 2019 experience study

Discount Rate

The discount rate was based on a high-quality 20-year tax-exempt bond buyer index rate. The municipal bond rate utilized was 3.54%.

Changes in Assumptions

The discount rate was changed from 2.16 % to 3.54% and the inflation rate was changed from 2.75% to 2.50%. Also, the CalPERS experience study was updated from 1997-2015 to 2000-2019. The healthcare trend rates were also updated from 7.25% to 8.50% and 6.30% to 7.50% for Non-Medicare and Medicare, respectively.

Changes in Total OPEB Liability

The change in total OPEB liability are as follows:

Balance at June 30, 2021 (Measurement Date)	\$ 6,982,356
Changes in the Year:	
Service Cost	488,842
Interest on the Total OPEB Liability	159,585
Differences Between Actual and Expected Experience	(797,911)
Changes in Assumptions	(2,362,167)
Benefit Payments	(165,982)
Net Changes	<u>(2,677,633)</u>
Balance at June 30, 2022 (Measurement Date)	<u>\$ 4,304,723</u>

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability the Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate for the Plan, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Total OPEB Liability	\$ 4,973,728	\$ 4,304,723	\$ 3,763,336

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

	1% Decrease (1)	Current Health-Care Cost Trend Rates (2)	1% Increase (3)
Total OPEB Liability	\$ 3,671,721	\$ 4,304,723	\$ 5,112,677

- (1) Non-Medicare - 7.50% for 2024, decreasing to 2.45% in 2076
Medicare - 6.50% for 2024, decreasing to 2.45% in 2076
Medicare (Kaiser) - 5.25% for 2023, decreasing to 2.45% in 2076
- (2) Non-Medicare - 8.50% for 2024, decreasing to 3.45% in 2076
Medicare - 7.50% for 2024, decreasing to 3.45% in 2076
Medicare (Kaiser) - 6.25% for 2023, decreasing to 3.45% in 2076
- (3) Non-Medicare - 9.50% for 2024, decreasing to 4.45% in 2076
Medicare - 8.50% for 2024, decreasing to 4.45% in 2076
Medicare (Kaiser) - 7.25% for 2023, decreasing to 4.45% in 2076

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$140,399. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Benefits Paid Subsequent to Measurement Date	\$ 769,421	\$ -
Differences Between Actual and Expected Experience	-	(1,164,944)
Change in Proportion	230,240	(230,240)
Change in Assumptions	994,603	(2,622,126)
Total	<u>\$ 1,994,264</u>	<u>\$ (4,017,310)</u>

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
(Continued)**

\$769,421 reported as deferred outflows of resources resulting from City's contributions subsequent to measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ (508,849)
2025	(508,847)
2026	(416,707)
2027	(168,040)
2028	(174,241)
Thereafter	(1,015,783)
Total	<u>\$ (2,792,467)</u>

Deferred amounts related to the net difference in projected and actual earnings are amortized over five years. Deferred amounts related to the differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between the City's contributions and proportionate share of contributions are amortized over a closed period equal to the average of the expected remaining service lives of all employees provided with pensions through the plans.

NOTE 10 FUND DISCLOSURE

Development Impact Fees 2018 – City Hall Facilities has a year ending negative fund balance of \$3,035,399, which will be corrected by future developer impact fee revenue or transfers from General Fund. The City Projects Capital Projects Fund has a deficit of \$6,918,184 at year-end from projects that will be reimbursed when completed.

NOTE 11 SELF-INSURANCE RISK POOL

The City and Fire Protection District are members of the Public Entity Risk Management Authority (PERMA), a joint powers authority of 32 California cities and districts, for the purpose of pooling the City's risk for workers' compensation insurance with those of other member cities and districts. The Governing Board of PERMA is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the board.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 SELF-INSURANCE RISK POOL (CONTINUED)

Each member is billed annually, and Workers' Compensation premiums are paid quarterly. Estimated premiums for claims to be paid and a reserve are advanced upon joining PERMA. Each year PERMA adjusts its premiums based on City payroll figures, claims paid, and claims incurred but not reported. PERMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. The City receives audited financial statements of PERMA each year that have been audited by other auditors.

Workers' Compensation and Employers' Liability

The City is self-insured for the first \$250,000 of each Workers' Compensation and Employers Liability claim, and PERMA will assume each claim's liability between \$250,000 and \$500,000. Excess liability insurance coverage is obtained from the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) by PERMA on behalf of the City. LAWCX will assume each claims liability between \$500,000 and \$5,000,000 for employer's liability and Statutory for each workers' compensation claim.

General Liability

The City is self-insured for General Liability including errors and omissions and auto liability up to the first \$50,000 for each occurrence, and the difference between the City's \$50,000 self-insurance retention and \$1,000,000 is covered by PERMA. Excess liability insurance coverage is obtained from Public Risk Innovation Solutions and Management (PRISM) CSAC Excess Insurance Authority (CSAC-EIA) by PERMA on behalf of the City. CSAC-EIA will assume each claim liability between \$1,000,000 and \$50,000,000.

Employment Practices

The City is self-insured for Employment Practices up to the first \$50,000 for each occurrence, and the difference between the City's \$50,000 self-insurance retention and \$1,000,000 is covered by Employment Risk Management Authority (ERMA). Excess insurance coverage is obtained from PRISM CSAC Excess Insurance Authority (CSAC-EIA) by PERMA on behalf of the City.

Property

The City is self-insured for the first \$10,000 for each occurrence (with the exception of \$100,000 flood), and the difference between the City's self-insurance retention and the lesser of \$100,000,000 (\$2,500,000 Flood) or the insurable value is covered by Alliant Property Insurance Programs.

Auto Physical Damage

The City is self-insured for the first \$5,000 for each occurrence for all vehicles and the difference between the City's \$5,000 self-insurance retention and the lesser of \$10,000,000 or the insurable value is covered by Hanover Insurance Co.

Special Events

The City is insured up to \$500,000 for each occurrence covered by Alliant Insurance Services, Inc.

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 SELF-INSURANCE RISK POOL (CONTINUED)

Cyber Liability

The City is self-insured up to \$50,000 for each occurrence for information security and privacy liability, privacy notification costs, regulatory defense and penalties, website media content liability, cyber extortion, first party data protection and business interruption losses and the difference between the City's \$50,000 self-insurance retention and \$12,000,000 (\$250,000 for privacy notification costs) is covered by PERMA as insured by a third party.

Other

The City is self-insured for Employee Dishonesty, Forgery & Alteration, Theft, Disappearance, Destruction, Robbery & Safe Burglary, Money Orders and Counterfeit Paper Currency up to the first \$2,500 for each occurrence, and the difference between the City's self-insurance retention and \$1,000,000 for is covered by Alliant Insurance Services, Inc..

There have been no significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

Changes in the balances of claims liabilities during the years ended June 30, 2023 and 2022, is as follows:

	Year Ended June 30, 2022	Year Ended June 30, 2023
Unpaid Claims, Beginning of Fiscal Year	\$ 1,006,687	\$ 778,134
Incurred Claims and changes in estimated claims liabilities	126,083	836,736
Claim Payments	(354,636)	(281,620)
Unpaid Claims, End of Fiscal Year	<u>\$ 778,134</u>	<u>\$ 1,333,250</u>

The unpaid claims above are a component of long-term debt (Note 5).

NOTE 12 JOINTLY GOVERNED ORGANIZATIONS

Victor Valley Wastewater Reclamation Authority

The City is a member of the Victor Valley Wastewater Reclamation Authority (VWRA), a joint powers agreement between local governments and special districts, for the purpose of construction, operation, and maintenance of sewer collection, transmission, and treatment facilities within the high desert region. The governing body of VWRA is made up of representatives from each significant participant in VWRA. Budgeting and financing are the responsibility of VWRA. The audited financial statements of VWRA can be obtained by request from P.O. Box 1481, Victorville, CA 92393.

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Victor Valley Transit Authority

The City is a member of the Victor Valley Transit Authority (VVTA), a joint powers agreement between local governments and the County of San Bernardino, for the purpose of implementing a public transit system to serve the Victor Valley and to provide connecting services to all other areas. The governing body of VVTA is made up of representatives from each significant participant in VVTA. Budgeting and financing are the responsibility of VVTA. The City has agreed to sell monthly bus passes issued by VVTA and to remit, between the first and tenth day of each month, the previous month's sales receipts, and proceeds. The audited financial statements of VVTA can be obtained by request from P.O. Box 5001, Victorville, CA 92393.

Victor Valley Economic Development Authority

The City is a member of the Victor Valley Economic Development Authority (VVEDA), a joint powers authority along with the City of Victorville, Town of Apple Valley, City of Adelanto and the County of San Bernardino. Its purpose was to coordinate the transition of George Air Force Base from military to civilian use. Effective February 1, 2012, the Victor Valley Economic Development Authority (VVEDA) was dissolved, pursuant to ABx1 26 and AB 1484, and "wind down" procedures were implemented. A Successor Agency was designated to oversee the wind down process and an Oversight Board was appointed to govern the Successor Agency. The City receives its pass-through payment, generated from the VVEDA Project Area within the City, directly from the San Bernardino County Auditor Controller. The audited financial statements of VVEDA can be obtained by request from 18374 Phantom Street, Victorville, CA 92394.

NOTE 13 SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT

Community Facilities District (CFD 2005-1)

On December 18, 2014, the City for and on behalf of Community Facilities District No. 2005-1 (Belgate Development Restructuring) issued the Special Tax Refunding Bonds, Series 2014 for \$18,450,000. The bonds were issued for the purpose of refunding the private Special Tax Bond Series A. The bonds are secured by and payable solely from the proceeds of special taxes levied annually on the taxable property in the District. The bonds are not secured by a legal or equitable pledge of or charge, lien, or encumbrance upon any of the property or revenues of the City, and the payment of the interest on or principal of or redemption premiums, if any, on the District Bonds, is not a general debt, liability or obligation of the City. The bonds carry an average coupon rate of 4.606%, with maturities through 2035 ranging from \$350,000 to \$2,025,000. The bonds require a reserve fund be established equal to the least of: (i) 10% of the principal amount of the original bonds; (ii) 125% of average annual debt service of the bonds, or (iii) 85% maximum annual debt service of the bonds. At June 30, 2023, the reserve funds equal \$1,450,145. At June 30, 2023, principal amount due on the bonds is \$14,245,000.

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 13 SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT
(CONTINUED)**

Community Facilities District (CFD 2005-1) (Continued)

For the bond issuance noted above, the City is not obligated in any manner for the payment of debt service in the event of default by the property owners, but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate. Accordingly, no liability for these bonds has been recorded in the financial statements.

Assessment District 20-02 (Tapestry Phase I)

On May 24, 2022, the City for and on behalf of Assessment District No. 20-02 (Tapestry Phase I) issued the Statewide Community Infrastructure Program Revenue Bonds, Series 2022 for \$8,345,000. The bonds were issued for the purpose of financing the Ranchero Road improvements and providing a reserve. The bonds are secured by and payable solely from the proceeds of special taxes levied annually on the taxable property in the District. The bonds are not secured by a legal or equitable pledge of or charge, lien, or encumbrance upon any of the property or revenues of the City, and the payment of the interest on or principal of or redemption premiums, if any, on the District Bonds, is not a general debt, liability or obligation of the City. The bonds carry an average coupon rate of 5.900%, with maturities through 2052 ranging from \$120,000 to \$565,000. At June 30, 2023, principal amount due on the bonds is \$8,345,000.

For the bond issuance noted above, the City is not obligated in any manner for the payment of debt service in the event of default by the property owners. Accordingly, no liability for these bonds has been recorded in the financial statements.

Assessment District 21-03 (Topaz)

On August 25, 2021, the City for and on behalf of Assessment District No. 21-03 (Topaz) issued the Statewide Community Infrastructure Program Revenue Bonds, Series 2022 for \$1,028,000. The bonds were issued for the purpose of financing the Topaz development project Ranchero Road improvements and providing a reserve. The bonds are secured by and payable solely from the proceeds of special taxes levied annually on the taxable property in the District. The bonds are not secured by a legal or equitable pledge of or charge, lien, or encumbrance upon any of the property or revenues of the City, and the payment of the interest on or principal of or redemption premiums, if any, on the District Bonds, is not a general debt, liability or obligation of the City. The bonds carry an average coupon rate of 4.000%, with maturities through 2051 ranging from \$19,000 to \$491,000. The bonds require a reserve fund be established equal to the least of: (i) 10% of the principal amount of the original bonds; (ii) 125% of average annual debt service of the bonds, or (iii) 85% maximum annual debt service of the bonds. The District is one of numerous entities included in this \$21,255,000 debt issuance. All entities are responsible for the reserve requirement. At June 30, 2023, principal amount due on the bonds is \$1,009,000.

**CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 13 SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT
(CONTINUED)**

Assessment District 21-03 (Topaz) (Continued)

For the bond issuance noted above, the City is not obligated in any manner for the payment of debt service in the event of default by the property owners. Accordingly, no liability for these bonds has been recorded in the financial statements.

NOTE 14 CONTINGENCIES

Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the City's financial position.

Grant Audit Contingencies

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Construction Commitments

The City has entered into contracts for the engineering and construction of additions to capital assets as follows:

Total Open Contracts	\$ 58,637,122
Less: Costs Incurred in 2022-23	<u>(15,596,546)</u>
Remaining Contractual Obligations	<u><u>\$ 43,040,576</u></u>

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

The assets and liabilities of the former Redevelopment Agency (Agency) were transferred to the Successor Agency to the City of Hesperia Redevelopment Agency on February 1, 2012, as a result of the dissolution of the Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to notes receivable and long-term liabilities are stated below:

Notes Receivable

The Hesperia Recreation and Park District (HRPD) initially borrowed \$2,138,847 for half the construction costs of the Civic Park Plaza. Through June 30, 2023, the amount owed has been reduced by \$1,117,739 to \$1,021,108.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

Long-Term Debt

The following is a summary of changes in the Successor Agency's long-term liabilities for the fiscal year ended June 30, 2023:

	Principal Balance at June 30, 2022	Additions	Deductions	Principal Balance at June 30, 2023	Due Within One Year
Other Debt:					
2018 Series A	\$ 70,640,000	\$ -	\$ -	\$ 70,640,000	\$ -
Premium	8,125,582	-	(537,235)	7,588,347	-
2018 Series B	25,065,000	-	(5,685,000)	19,380,000	5,865,000
Discount	(219,874)	69,434	-	(150,440)	-
Total	<u>\$ 103,610,708</u>	<u>\$ 69,434</u>	<u>\$ (6,222,235)</u>	<u>\$ 97,457,907</u>	<u>\$ 5,865,000</u>

2018 Tax Allocation Bonds Series A and Series B

On October 1, 2018, the Successor Agency issued \$70,640,000 Tax Allocation Refunding Bonds, Series A and \$41,415,000 Tax Allocation Refunding Bonds, Series B to refund the outstanding balances of the 2005 Series A and 2007 Series A and B. Series A bonds consist of term current interest bonds and accrue interest at annual rates ranging from 3.375% to 5.0%. Interest and principal is payable on September 1 of each year, with bond principal payments ranging from \$2,725,000 to \$6,865,000. The Series B bonds consist of term current interest bonds and accrue interest ranging from 2.5% to 3.5%. Interest is payable on March 1 and September 1 of each fiscal year, with bond principal payments ranging in amounts from \$2,455,000 to \$6,050,000. The Bonds have a reserve requirement of \$9,799,444 and is satisfied by a reserve policy with a statement amount of \$9,799,444.

All of the bonds are secured by a pledge of all future payments from the Redevelopment Property Tax Trust Fund (RPTTF) funds until the bonds are fully paid off which is scheduled to be during the fiscal year ending 2038. Principal and interest payments outstanding at June 30, 2023, amounted to \$121,411,503. Annual debt service payments on the bonds and the related administration are expected to require 100% of the RPTTF funds. For the year ended June 30, 2023, total tax increment received by the Successor Agency was \$9,892,600 and debt service requirements for the year ended June 30, 2023 was \$9,706,553.

CITY OF HESPERIA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

2018 Tax Allocation Bonds Series A and Series B

Annual debt service payments requirements by year for the 2018 Series A and B are as follows:

2018 Tax Allocation Refunding Bonds Series A			
Fiscal Year Ending	Principal	Interest	Total
2024	\$ -	\$ 3,304,069	\$ 3,304,069
2025	-	3,304,069	3,304,069
2026	-	3,304,069	3,304,069
2027	2,725,000	3,235,944	5,960,944
2028	5,390,000	3,033,069	8,423,069
2029 - 2033	29,475,000	10,819,719	40,294,719
2034 - 2038	33,050,000	3,296,184	36,346,184
Total	<u>\$ 70,640,000</u>	<u>\$ 30,297,123</u>	<u>\$ 100,937,123</u>

2018 Tax Allocation Refunding Bonds Series B			
Fiscal Year Ending	Principal	Interest	Total
2024	\$ 5,865,000	\$ 537,016	\$ 6,402,016
2025	6,050,000	347,063	6,397,063
2026	5,010,000	167,338	5,177,338
2027	2,455,000	42,963	2,497,963
Total	<u>\$ 19,380,000</u>	<u>\$ 1,094,380</u>	<u>\$ 20,474,380</u>

NOTE 16 SUBSEQUENT EVENT

On July 11, 2023, the Hesperia Joint Public Financing Authority issued the 2023 Refunding Lease Revenue Bonds in the amount of \$7,375,000 to refund the 2013 Refunding Lease Revenue Bonds, which resulted in a current refunding. The 2023 Refunding bonds were issued at a premium of \$902,144, which is being amortized over the life of the 2023 Refunding bonds. The issue bears interest at a fixed rate of 5%. The issue matures through the year 2035, with principal payments ranging from \$370,000 to \$915,000. The 2013 bonds were called on October 1, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF HESPERIA, CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE - BEGINNING OF YEAR	\$ 29,446,557	\$ 29,446,557	\$ 29,446,557	\$ -
RESOURCES (INFLOWS)				
Taxes	22,538,204	22,538,204	23,850,539	1,312,335
Licenses and Permits	242,660	242,660	293,004	50,344
Fines and Forfeitures	908,600	908,600	1,797,172	888,572
Use of Money and Property	19,600	19,600	462,550	442,950
Intergovernmental	13,831,969	13,831,969	14,570,271	738,302
Charges for Services	4,168,441	4,168,441	6,663,412	2,494,971
Grants	73,483	73,483	96,460	22,977
Other Revenues	2,505,064	2,505,064	2,791,452	286,388
Transfers from Other Funds	200,000	200,000	200,000	-
Sale of Capital Assets	-	-	4,700	4,700
Issuance of Lease	-	-	375,162	375,162
Issuance of SBITAs	-	-	33,483	33,483
Amount Available for Appropriations	44,488,021	44,488,021	51,138,205	6,650,184
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current:				
General Government:				
City Council	798,121	798,121	990,162	(192,041)
City Manager	3,705,173	3,655,279	3,574,807	80,472
Management Services	6,758,815	7,357,367	7,262,760	94,607
Public Safety - Police	20,581,025	20,599,628	20,145,418	454,210
Development Services	9,321,828	9,299,450	8,879,526	419,924
Debt Service:				
Interest - Leases	-	-	3,897	(3,897)
Principal - Leases	-	-	46,025	(46,025)
Interest - SBITAs	-	-	11,648	(11,648)
Principal - SBITAs	-	-	177,814	(177,814)
Capital Outlay:				
Buildings and Improvements	230,000	252,600	-	252,600
Equipment and Vehicles	345,590	514,831	421,377	93,454
Leases	-	-	330,505	(330,505)
SBITAs	-	-	33,483	(33,483)
Transfers to Other Funds	2,572,890	2,572,890	2,572,890	-
Total Charges to Appropriations	44,313,442	45,050,166	44,450,312	599,854
Excess of Resources Over Charges to Appropriations	174,579	(562,145)	6,687,893	7,250,038
FUND BALANCE - END OF YEAR	<u>\$ 29,621,136</u>	<u>\$ 28,884,412</u>	<u>\$ 36,134,450</u>	<u>\$ 7,250,038</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF HESPERIA, CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
AMERICAN RESCUE PLAN ACT (ARPA)
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(108,133)	(108,133)	(108,133)	-
RESOURCES (INFLOWS)				
Use of Money and Property	\$ 31,047	\$ 31,047	\$ 282,959	\$ 251,912
Intergovernmental	<u>11,701,844</u>	<u>11,701,844</u>	<u>-</u>	<u>(11,701,844)</u>
Amount Available for Appropriations	<u>11,732,891</u>	<u>11,732,891</u>	<u>282,959</u>	<u>(11,449,932)</u>
FUND BALANCE - END OF YEAR	<u>\$ 11,624,758</u>	<u>\$ 11,624,758</u>	<u>\$ 174,826</u>	<u>\$(11,449,932)</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF HESPERIA, CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES 2018 – CITY HALL FACILITIES SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	\$ (3,379,499)	\$ (3,379,499)	\$ (3,379,499)	\$ -
RESOURCES (INFLOWS)				
Use of Money and Property	1,219	1,219	12,292	11,073
Charges for Services	1,194,839	1,194,839	1,181,031	(13,808)
Transfers from Other Funds	-	16,715	16,715	-
Amount Available for Appropriations	1,196,058	1,212,773	1,210,038	(2,735)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Debt Service:				
Interest	85,000	97,135	97,135	-
Transfers to Other Funds	768,803	768,803	768,803	-
Total Charges to Appropriations	853,803	865,938	865,938	-
Excess of Resources Over Charges to Appropriations	342,255	346,835	344,100	(2,735)
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (3,037,244)</u>	<u>\$ (3,032,664)</u>	<u>\$ (3,035,399)</u>	<u>\$ (2,735)</u>

See accompanying Notes to Required Supplementary Information.

**CITY OF HESPERIA, CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES – STREETS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budget	Actual	Variance with Budget
FUND BALANCE - BEGINNING OF YEAR	8,195,238	8,195,238	-
RESOURCES (INFLOWS)			
Use of Money and Property	\$ 2,852	\$ 20,633	\$ 17,781
Charges for Services	146,038	146,971	933
Other Revenues	-	401	401
Proceeds from Sale of Land Held for Resale	4,484,430	4,484,430	-
Amount Available for Appropriations	4,633,320	4,652,435	19,115
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Current:			
Development Services	7,144,000	7,144,000	-
Debt Service:			
Principal	5,469,800	5,237,114	232,686
Capital Outlay:			
Infrastructure	188,030	41,535	146,495
Transfers Out	-	916	916
Total Charges to Appropriations	12,801,830	12,423,565	380,097
Deficiency of Resources Under Charges to Appropriations	(8,168,510)	(7,771,130)	399,212
FUND BALANCE - END OF YEAR	\$ 26,728	\$ 424,108	\$ 399,212

See accompanying Notes to Required Supplementary Information.

**CITY OF HESPERIA, CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES 2018 – STREETS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
FUND BALANCE - BEGINNING OF YEAR	8,381,128	8,381,128	-
RESOURCES (INFLOWS)			
Use of Money and Property	\$ 23,059	\$ 177,282	\$ 154,223
Charges for Services	<u>11,032,164</u>	<u>8,834,355</u>	<u>(2,197,809)</u>
Amount Available for Appropriations	11,055,223	9,011,637	(2,043,586)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Debt Service:			
Interest	325,495	248,901	76,594
Principal	6,020,328	6,020,328	-
Capital Outlay:			
Infrastructure	<u>10,624,951</u>	<u>4,337,551</u>	<u>6,287,400</u>
Total Charges to Appropriations	<u>16,970,774</u>	<u>10,606,780</u>	<u>6,363,994</u>
Excess (Deficiency) of Resources Over (Under) Charges to Appropriations	(5,915,551)	(1,595,143)	4,320,408
FUND BALANCE - END OF YEAR	<u><u>\$ 2,465,577</u></u>	<u><u>\$ 6,785,985</u></u>	<u><u>\$ 4,320,408</u></u>

See accompanying Notes to Required Supplementary Information.

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
CALPERS PENSION PLAN - MISCELLANEOUS
LAST 10 FISCAL YEARS**

Fiscal Year-End	2023	2022	2021	2020
Contractually Required Contribution (Actuarial Determined)	\$ 3,665,142	\$ 3,222,939	\$ 2,889,664	\$ 2,705,456
Contributions in Relation to the Contractually Required Contribution	(3,665,142)	(3,222,939)	(2,889,664)	(2,705,456)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll ²	\$ 13,173,761	\$ 11,139,996	\$ 10,022,379	\$ 11,478,590
Contributions as a Percentage of Covered Payroll ²	27.82%	28.93%	28.83%	23.57%

¹Historical information was changed from the actuarial determined contributions to actual contributions for each fiscal year as indicated by GASB 68, paragraph 81(b).

²The City's covered-employee payroll was recalculated

Contractually Required Contribution

City	\$ 2,647,769	\$ 2,319,567	\$ 2,061,293	\$ 2,023,150
Fire	25,623	23,900	23,253	21,006
Water and Sewer	991,750	879,472	805,118	661,300
Total	\$ 3,665,142	\$ 3,222,939	\$ 2,889,664	\$ 2,705,456

Contributions in Relation to the Contractually Required Contribution

City	\$ (2,647,769)	\$ (2,319,567)	\$ (2,061,293)	\$ (2,023,150)
Fire	(25,623)	(23,900)	(23,253)	(21,006)
Water and Sewer	(991,750)	(879,472)	(805,118)	(661,300)
Total	\$ (3,665,142)	\$ (3,222,939)	\$ (2,889,664)	\$ (2,705,456)

Covered Payroll²

City	\$ 9,453,428	\$ 7,823,659	\$ 6,862,047	\$ 8,164,228
Fire	-	-	-	-
Water and Sewer	3,720,333	3,316,337	3,160,332	3,314,362
Total	\$ 13,173,761	\$ 11,139,996	\$ 10,022,379	\$ 11,478,590

Contributions as a Percentage of Covered Payroll²

City	1.16%	2.41%	3.35%	3.62%
Fire	0.00%	0.00%	0.00%	0.00%
Water and Sewer	26.66%	26.52%	25.48%	19.95%
Total	27.82%	28.93%	28.83%	23.57%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value

Inflation	2.30%	2.50%	2.50%	2.50%
Salary increases	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.00% (3)	7.00% (3)	7.00% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on Age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) Minimum 50 years.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only nine years are shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
CALPERS PENSION PLAN – MISCELLANEOUS (CONTINUED)
LAST TEN FISCAL YEARS**

Fiscal Year-End	2019	2018	2017	2016	2015¹
Contractually Required Contribution (Actuarial Determined)	\$ 2,388,602	\$ 2,034,131	\$ 1,972,969	\$ 1,849,543	\$ 1,879,384
Contributions in Relation to the Contractually Required Contribution	(2,388,602)	(2,668,659)	(2,323,999)	(2,141,473)	(2,113,264)
Contribution Deficiency (Excess)	\$ -	\$ (634,528)	\$ (351,030)	\$ (291,930)	\$ (233,880)
District's Covered Payroll ²	\$ 11,080,687	\$ 10,715,391	\$ 10,377,283	\$ 10,264,387	\$ 10,558,692
Contributions as a Percentage of Covered Payroll ²	21.56%	24.90%	22.40%	20.86%	20.01%

¹Historical information was changed from the actuarial determined contributions to actual contributions for each fiscal year as indicated by GASB 68, paragraph 81(b).

²The City's covered-employee payroll was recalculated

Contractually Required Contribution					
City	\$ 1,799,266	\$ 1,530,439	\$ 1,501,636	\$ 1,423,805	\$ 1,460,320
Fire	20,748	17,023	13,160	12,044	11,216
Water and Sewer	568,588	486,669	458,173	413,694	407,848
Total	\$ 2,388,602	\$ 2,034,131	\$ 1,972,969	\$ 1,849,543	\$ 1,879,384

Contributions in Relation to the Contractually Required Contribution					
City	\$ (1,799,266)	\$ (1,530,439)	\$ (1,501,636)	\$ (1,423,805)	\$ (1,460,320)
Fire	(20,748)	(651,551)	(364,190)	(303,974)	(245,096)
Water and Sewer	(568,588)	(486,669)	(458,173)	(413,694)	(407,848)
Total	\$ (2,388,602)	\$ (2,668,659)	\$ (2,323,999)	\$ (2,141,473)	\$ (2,113,264)

Covered Payroll²					
City	\$ 7,966,756	\$ 7,644,473	\$ 7,455,214	\$ 7,408,225	\$ 7,672,349
Fire	-	-	-	-	-
Water and Sewer	3,113,931	3,070,918	2,922,069	2,856,162	2,886,343
Total	\$ 11,080,687	\$ 10,715,391	\$ 10,377,283	\$ 10,264,387	\$ 10,558,692

Contributions as a Percentage of Covered Payroll²					
City	3.30%	9.05%	6.72%	6.38%	5.88%
Fire	0.00%	0.00%	0.00%	0.00%	0.00%
Water and Sewer	18.26%	15.85%	15.68%	14.48%	14.13%
Total	21.56%	24.90%	22.40%	20.86%	20.01%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.15% (3)	7.15% (3)	7.65% (3)	7.65% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on Age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) Minimum 50 years.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only nine years are shown.

See accompanying Notes to Required Supplementary Information.

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS PENSION PLAN - MISCELLANEOUS
LAST TEN MEASUREMENT PERIODS

Measurement Period Fiscal Year-End	<u>June 30, 2022</u> June 30, 2023	<u>June 30, 2021</u> June 30, 2022	<u>June 30, 2020</u> June 30, 2021	<u>June 30, 2019</u> June 30, 2020
City's Proportion of the Net Pension Liability/(Asset)	0.59%	0.71%	0.56%	0.55%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 27,499,193	\$ 13,558,095	\$ 23,596,414	\$ 21,906,224
City's Covered Payroll ²	\$ 11,139,996	\$ 10,022,379	\$ 11,478,590	\$ 11,080,687
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll ²	246.85%	135.28%	205.57%	197.70%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability	78.19%	90.49%	77.71%	77.73%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The District covered payroll was recalculated based on actual pensionable earnings reported to CalPERS as of the measurement date.

Fiscal Year-End	2023	2022	2021	2020
City's Proportion of the Net Pension Liability/(Asset)				
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
City	0.42%	0.51%	0.40%	0.40%
Fire	0.00%	0.01%	0.00%	0.01%
Water and Sewer	0.16%	0.19%	0.15%	0.14%
Total	0.59%	0.71%	0.56%	0.55%
City's Proportionate Share of the Net Pension Liability/(Asset)				
City	\$ 19,607,429	\$ 9,735,358	\$ 17,003,541	\$ 15,902,106
Fire	202,937	136,931	199,886	201,457
Water and Sewer	7,688,827	3,685,806	6,392,987	5,802,661
Total	\$ 27,499,193	\$ 13,558,095	\$ 23,596,414	\$ 21,906,224
City's Covered Payroll²				
City	\$ 7,823,659	\$ 6,862,047	\$ 8,164,228	\$ 7,966,756
Fire	-	-	-	-
Water and Sewer	3,316,337	3,160,332	3,314,362	3,113,931
Total	\$ 11,139,996	\$ 10,022,379	\$ 11,478,590	\$ 11,080,687
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Payroll²				
City	15.00%	18.65%	12.68%	11.35%
Fire	0.00%	0.00%	0.00%	0.00%
Water and Sewer	231.85%	116.63%	192.89%	186.35%
Total	246.85%	135.28%	205.57%	197.70%

Totals for CalPERS Miscellaneous Cost Sharing Plan				
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Miscellaneous Total Pension Liability	\$ 21,449,898,398	\$ 19,964,594,105	\$ 18,920,437,526	\$ 17,984,188,264
Miscellaneous Fiduciary Net Position	16,770,671,339	18,065,791,524	14,702,361,183	13,979,687,268
Miscellaneous Net Pension Liability	4,679,227,059	1,898,802,581	4,218,076,343	4,004,500,996

See accompanying Notes to Required Supplementary Information.

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS PENSION PLAN – MISCELLANEOUS (CONTINUED)
LAST TEN MEASUREMENT PERIODS

Measurement Period Fiscal Year-End	<u>June 30, 2018</u> June 30, 2019	<u>June 30, 2017</u> June 30, 2018	<u>June 30, 2016</u> June 30, 2017	<u>June 30, 2015</u> June 30, 2016	<u>June 30, 2014</u> June 30, 2015
City's Proportion of the Net Pension Liability/(Asset)	0.54%	0.53%	0.52%	0.53%	0.49%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 20,228,817	\$ 20,776,324	\$ 18,027,190	\$ 14,616,628	\$ 12,033,610
City's Covered Payroll ²	\$ 10,715,391	\$ 10,377,283	\$ 10,264,387	\$ 10,558,692	\$ 10,897,933
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll ²	188.78%	200.21%	175.63%	138.43%	110.42%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability	77.69%	75.39%	75.87%	79.89%	81.15%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The District covered payroll was recalculated based on actual pensionable earnings reported to CalPERS as of the measurement date.

Fiscal Year-End	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)					
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
City	0.39%	0.39%	0.38%	0.40%	0.38%
Fire	0.01%	0.01%	0.01%	0.01%	0.01%
Water and Sewer	0.14%	0.13%	0.13%	0.12%	0.10%
Total	<u>0.54%</u>	<u>0.53%</u>	<u>0.52%</u>	<u>0.53%</u>	<u>0.49%</u>
City's Proportionate Share of the Net Pension Liability/(Asset)					
City	\$ 14,804,711	\$ 15,286,280	\$ 13,359,519	\$ 11,061,479	\$ 9,365,868
Fire	196,972	204,946	186,324	161,400	136,344
Water and Sewer	5,227,134	5,285,098	4,481,347	3,393,749	2,531,398
Total	<u>\$ 20,228,817</u>	<u>\$ 20,776,324</u>	<u>\$ 18,027,190</u>	<u>\$ 14,616,628</u>	<u>\$ 12,033,610</u>
City's Covered Payroll²					
City	\$ 7,644,473	\$ 7,455,214	\$ 7,408,225	\$ 7,672,349	\$ 7,950,880
Fire	-	-	-	-	-
Water and Sewer	3,070,918	2,922,069	2,856,162	2,886,343	2,947,053
Total	<u>\$ 10,715,391</u>	<u>\$ 10,377,283</u>	<u>\$ 10,264,387</u>	<u>\$ 10,558,692</u>	<u>\$ 10,897,933</u>
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Payroll²					
City	18.57%	19.34%	18.73%	20.85%	24.53%
Fire	0.00%	0.00%	0.00%	0.00%	0.00%
Water and Sewer	170.21%	180.87%	156.90%	117.58%	85.90%
Total	<u>188.78%</u>	<u>200.21%</u>	<u>175.63%</u>	<u>138.43%</u>	<u>110.42%</u>

Totals for CalPERS Miscellaneous Cost Sharing Plan

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Miscellaneous Total Pension Liability	\$ 16,891,153,209	\$ 16,016,547,402	\$ 14,397,353,530	\$ 13,639,503,084	\$ 13,110,948,452
Miscellaneous Fiduciary Net Position	13,122,440,092	12,074,499,781	10,923,476,287	10,896,036,068	10,639,461,174
Miscellaneous Net Pension Liability	3,768,713,117	3,942,047,621	3,473,877,243	2,743,467,016	2,471,487,278

See accompanying Notes to Required Supplementary Information.

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
CALPERS PENSION PLAN - SAFETY
LAST TEN FISCAL YEARS**

Fiscal Year-End	2023	2022	2021	2020
Contractually Required Contribution (Actuarial Determined)	\$ 1,067,577	\$ 983,846	\$ 952,741	\$ 853,504
Contributions in Relation to the Contractually Required Contribution	(1,067,577)	(983,846)	(952,741)	(853,504)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll ²	n/a	n/a	n/a	n/a
Contributions as a Percentage of Covered Payroll ²	n/a	n/a	n/a	n/a

¹Historical information was changed from the actuarial determined contributions to actual contributions for each fiscal year as indicated by GASB 68, paragraph 81(b).

²The Plan was previously closed and, therefore, there is no covered payroll.

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.30%	2.50%	2.50%	2.50%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.00% (3)	7.00% (3)	7.15% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) Minimum 50 years.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only nine years are shown.

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS PENSION PLAN - SAFETY
LAST TEN MEASUREMENT PERIODS

Fiscal Year-End	2019	2018	2017	2016	2015¹
Contractually Required Contribution (Actuarial Determined)	\$ 777,035	\$ 634,528	\$ 351,030	\$ 291,930	\$ 233,880
Contributions in Relation to the Contractually Required Contribution	(777,035)	(634,528)	(351,030)	(291,930)	(233,880)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll ²	n/a	n/a	n/a	n/a	n/a
Contributions as a Percentage of Covered Payroll ²	n/a	n/a	n/a	n/a	n/a

¹Historical information was changed from the actuarial determined contributions to actual contributions for each fiscal year as indicated by GASB 68, paragraph 81(b).

²The Plan was previously closed and, therefore, there is no covered payroll.

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.15% (3)	7.15% (3)	7.65% (3)	7.65% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) Minimum 50 years.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only nine years are shown.

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS PENSION PLAN - SAFETY
LAST TEN MEASUREMENT PERIODS

Measurement Period	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Fiscal Year-End	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the Net Pension Liability/(Asset)	0.15%	0.17%	0.14%	0.15%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 10,106,943	\$ 5,821,507	\$ 9,489,179	\$ 9,099,019
City's Covered Payroll ²	n/a	n/a	n/a	n/a
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll ²	n/a	n/a	n/a	n/a
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability	75.53%	86.61%	73.12%	73.37%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

²The Plan was previously closed and, therefore, there is no covered payroll.

Fiscal Year-End	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net Pension Liability/(Asset)				
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Fire	<u>0.15%</u>	<u>0.17%</u>	<u>0.14%</u>	<u>0.15%</u>
City's Proportionate Share of the Net Pension Liability/(Asset)				
Fire	<u>\$ 10,106,943</u>	<u>\$ 5,821,507</u>	<u>\$ 9,489,179</u>	<u>\$ 9,099,019</u>
Totals for CalPERS Safety Cost Sharing Plan				
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Safety Total Pension Liability	\$ 28,076,076,740	\$ 26,210,348,159	\$ 24,782,493,361	\$ 23,442,265,225
Safety Fiduciary Net Position	21,204,498,824	22,700,862,352	18,120,140,152	17,199,726,799
Safety Net Pension Liability	6,871,577,916	3,509,485,807	6,662,353,209	6,242,538,426

See accompanying Notes to Required Supplementary Information.

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS PENSION PLAN – SAFETY (CONTINUED)
LAST TEN MEASUREMENT PERIODS

Measurement Period	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Fiscal Year-End	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's Proportion of the Net Pension Liability/(Asset)	0.15%	0.15%	0.15%	0.15%	0.13%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 8,769,919	\$ 8,710,094	\$ 7,711,540	\$ 6,084,632	\$ 4,864,517
City's Covered Payroll ²	n/a	n/a	n/a	n/a	n/a
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll ²	n/a	n/a	n/a	n/a	n/a
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability	73.39%	71.74%	72.69%	77.27%	78.83%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

²The Plan was previously closed and, therefore, there is no covered payroll.

Fiscal Year-End	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)					
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Fire	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.13%</u>

City's Proportionate Share of the Net Pension Liability/(Asset)					
Fire	<u>\$ 8,769,919</u>	<u>\$ 8,710,094</u>	<u>\$ 7,711,540</u>	<u>\$ 6,084,632</u>	<u>\$ 4,864,517</u>

Totals for CalPERS Safety Cost Sharing Plan					
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Safety Total Pension Liability	\$ 22,053,702,155	\$ 21,144,800,930	\$ 18,961,274,094	\$ 18,131,714,318	\$ 17,719,018,179
Safety Fiduciary Net Position	16,186,149,467	15,169,595,595	13,782,056,004	14,011,269,803	13,968,041,341
Safety Net Pension Liability	5,867,552,688	5,975,205,335	5,179,218,090	4,120,444,515	3,750,976,838

See accompanying Notes to Required Supplementary Information.

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS*

Fiscal Year-End	<u>June 30, 2023</u>
Measurement Date	<u>June 30, 2022</u>
Total OPEB Liability:	
Service Cost	\$ 488,842
Interest on Total OPEB Liability	159,585
Changes in Assumptions	(2,362,167)
Changes in Benefit Terms	-
Differences Between Actual and Expected Experience	(797,911)
Benefit Payments, Including Refunds of Employee Contributions	<u>(165,982)</u>
Net Change in Total OPEB Liability	(2,677,633)
Total OPEB Liability - Beginning of Year	<u>6,982,356</u>
Total OPEB Liability - End of Year (a)	<u>\$ 4,304,723</u>
Covered-Employee Payroll	\$ 11,146,913
Net OPEB Liability as Percentage of Covered-Employee Payroll	38.62%
Notes to Schedule:	
Benefit Changes:	
There were no changes in benefits.	
Changes in Assumptions:	
Discount Rate	3.54%

* Fiscal year 2018 was the first year of implementation and therefore only six years are shown.

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS*

Fiscal Year-End	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability:					
Service Cost	\$ 468,717	\$ 322,876	\$ 288,411	\$ 460,080	\$ 525,744
Interest on Total OPEB Liability	151,372	178,984	173,575	218,560	180,260
Changes in Assumptions	60,943	1,219,383	272,736	(879,140)	(737,126)
Changes in Benefit Terms	-	77,058			
Differences Between Actual and Expected Experience	-	(55,714)	-	(1,110,203)	-
Benefit Payments, Including Refunds of Employee Contributions	(158,702)	(147,004)	(133,972)	(141,079)	(105,112)
Net Change in Total OPEB Liability	522,330	1,595,583	600,750	(1,451,782)	(136,234)
Total OPEB Liability - Beginning of Year	6,460,026	4,864,443	4,263,693	5,715,475	5,851,709
Total OPEB Liability - End of Year (a)	<u>\$ 6,982,356</u>	<u>\$ 6,460,026</u>	<u>\$ 4,864,443</u>	<u>\$ 4,263,693</u>	<u>\$ 5,715,475</u>
Covered-Employee Payroll	\$ 10,022,379	\$ 11,478,590	\$ 11,080,687	\$ 10,715,391	\$ 10,377,283
Net OPEB Liability as Percentage of Covered-Employee Payroll	69.67%	56.28%	43.90%	39.79%	55.08%
Notes to Schedule:					
Benefit Changes:					
There were no changes in benefits.					
Changes in Assumptions:					
Discount rate	2.16%	2.21%	3.50%	3.87%	3.58%

* Fiscal year 2018 was the first year of implementation and therefore only six years are shown.

CITY OF HESPERIA, CALIFORNIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

The City adopts budgets for the general, special revenue, debt service, and capital projects funds on a basis consistent with accounting principles generally accepted in the United States of America each year. The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The exception is the Community Development Commission Special Revenue Fund (Other Governmental Fund) that did not have a legally adopted budget. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, when required during the period, are also approved by the Council. Increases in annual expenditures require approval by the Council. Interdepartmental budget changes are approved by the City Manager, and intradepartmental budget changes require department head approval. In most cases, expenditures may not exceed appropriations at the departmental level for the general fund, and at the fund level for the other funds. At fiscal year-end, all operating budget appropriations lapse. Budgeted amounts are as originally adopted, or as amended, in accordance with prescribed procedures throughout the fiscal year.

SUPPLEMENTARY INFORMATION



SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenues that are legally restricted or committed to expenditures for specified purposes.

Individual Special revenue funds are as follows:

Fire District – To account for other revenue sources and for expenditures relating to the Hesperia Fire Protection District's CalPERS obligations.

Measure I Renewal – To account for the voter approved extension of the Measure I, a 0.5% sales tax revenue collected throughout San Bernardino County for transportation improvements.

Gas Tax – To account for receipts and expenditures of money apportioned by the State and Highway Code Sections 2105, 2106, 2107, and 2107.5. Gas Tax monies can only be used to construct and maintain streets and highways.

Gas Tax Swap – To account for receipts and expenditures of money apportioned by the State and Highway Code Section 2103. Gas Tax Swap monies can only be used to construct and maintain streets and highways.

Article 8 – To account for the ¼ cent sales tax revenue which, in turn, are expended for the City's participation in the Victor Valley Transit Authority and for the construction of, and maintenance of, streets and roads in accordance with AB 325.

Gas Tax Road Maintenance and Rehabilitation Account (RMRA) – To account for receipts and expenditures of money apportioned by the Road Repair and Accountability Act of 2017 (SB 1) which began in November 2017. Gas Tax Road Maintenance and Rehabilitation monies can only be used to repair and maintain streets and highways.

Community Development Block Grant – To account for the receipts and expenditures of the City's entitlements under Federal Community Development Block Grant (CDBG) programs of the US Department of Housing and Urban Development (HUD).

CDBG Revolving Loan – To account for the receipts and expenditures of the Section 108 loan proceeds from the Federal government (HUD) used to assist with business expansion within the City.

AB 3229 State COPS Program – To account for state grant funds used to enhance policing services.

Air Quality Management District – To account for receipts from the Mojave Desert Air Quality Management District used for the purpose of reducing air pollution from motor vehicles.

Street Maintenance – To account for funds expended to repair and maintain the City's streets.

Disaster Preparedness Grant – To account for state grant funds used to prepare City staff for quick and correct techniques for proper response and assistance to the citizens in times of emergencies.

Environmental Programs – Formerly called the Beverage Recycling Grant fund, this is to account for state grant funds used to enhance beverage container recycling, as well as other recycling programs within the City.

SPECIAL REVENUE FUNDS (Continued)

Neighborhood Stabilization Program – To account for Federal grant funds used to purchase, rehabilitate, and resell foreclosed homes within the City, in order to avoid any increased blighting conditions caused by vacant homes.

HOME Grant – To account for the Department of Housing and Urban Development HOME Investment Partnership Act (HOME) grants requiring segregated fund accounting.

Development Impact Fees – Storm Drain – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's storm drain system.

Development Impact Fees – Fire – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's Fire Department with expanded facilities and equipment.

Development Impact Fees – Police – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's Police Department with expanded facilities and equipment.

Development Impact Fees – Public Services – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's facilities to better serve the growing populace.

Development Impact Fees 2018 – Drainage Facilities – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's storm drain system.

Development Impact Fees 2018 – Fire Suppression – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's Fire Department with expanded facilities and equipment.

Development Impact Fees 2018 – Animal Control – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's facilities to better serve the growing populace.

Development Impact Fees 2018 – Records Storage – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's facilities to better serve the growing populace.

Development Impact Fees 2018 – Police Facilities – To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's Police Department with expanded facilities and equipment.

Development Impact Fees A-04 – Drainage – To account for the fees paid during the building permit process for the expansion and improvement of the capacity of the City's storm drains.

Hesperia Housing Authority – To account for the City's low and moderate income housing needs that was previously a function of the former redevelopment agency.

SPECIAL REVENUE FUNDS (Continued)

WEDA Housing Authority – To account for the City's low and moderate income housing needs within the WEDA project area that was previously a function of the former redevelopment agency.

Community Development Commission – To account for the City's economic development functions that were previously an operation of the former redevelopment agency.

SB 1383 Local Assistance Grant – To account for the City's SB 1383 funding to reduce organic waste.

DEBT SERVICE FUNDS

The Debt Service funds are used to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest from governmental resources, and special assessment bond principal and interest from special assessment levies, when the government is obligated in some manner for the payment.

Individual Debt Service funds are as follows:

2012 Water Rights – To account for debt service payments on the City's 2012 Water Rights Acquisition debt issuance.

2013 Refunding of Lease Revenue Bonds – To account for debt service payments on the refunding of the 2005 Variable Rate Certificates of Participation.

CAPITAL PROJECTS FUNDS

The Capital Project funds are used to account for financial resources for the acquisition and for construction of major capital facilities other than those financed by proprietary funds.

Individual Capital Project funds are as follows:

City Projects (Major Fund) – To account for funds designated for various capital projects throughout the City.

**CITY OF HESPERIA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Special Revenue Funds				
	Fire District	Measure I Renewal	Gas Tax	Gas Tax Swap	Article 8
ASSETS					
Cash and Cash Equivalents	\$ 1,957,617	\$ 9,764,152	\$ 1,455,875	\$ 1,152,789	\$ 2,831,685
Restricted Cash and Investments:					
Held for Bond Reserve	-	-	-	-	-
Pension Trust	1,209,611	-	-	-	-
Accounts Receivable	-	-	-	-	-
Accrued Interest	19,427	69,898	10,452	8,319	20,711
Notes Receivable	-	-	-	-	-
Allowance for Notes Receivable	-	-	-	-	-
Due from Other Governmental Agencies	-	1,090,613	312,434	146,590	-
Due from Other Funds	-	-	-	-	-
Land Held for Resale	-	-	-	-	-
Total Assets	<u>\$ 3,186,655</u>	<u>\$ 10,924,663</u>	<u>\$ 1,778,761</u>	<u>\$ 1,307,698</u>	<u>\$ 2,852,396</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable and Other Current Liabilities	\$ -	\$ 18,862	\$ -	\$ -	\$ 753,816
Unearned Revenues	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>18,862</u>	<u>-</u>	<u>-</u>	<u>753,816</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
Debt Service	-	-	-	-	-
Transportation	-	10,905,801	1,778,761	1,307,698	2,098,580
Air Quality	-	-	-	-	-
Public Safety	1,977,044	-	-	-	-
Economic Development	-	-	-	-	-
Pension	1,209,611	-	-	-	-
Other Purposes	-	-	-	-	-
Total Fund Balances	<u>3,186,655</u>	<u>10,905,801</u>	<u>1,778,761</u>	<u>1,307,698</u>	<u>2,098,580</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,186,655</u>	<u>\$ 10,924,663</u>	<u>\$ 1,778,761</u>	<u>\$ 1,307,698</u>	<u>\$ 2,852,396</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023

	Special Revenue Funds				
	Gas Tax - RMRA	Community Development Block Grant	CDBG Revolving Loan	AB 3229 State COPS Program	Air Quality Management District
ASSETS					
Cash and Cash Equivalents	\$ 4,654,337	\$ 2,679,354	\$ 370,933	\$ 201,098	\$ 23,967
Restricted Cash and Investments:					
Held for Bond Reserve	-	-	-	-	-
Pension Trust	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Accrued Interest	32,561	19,794	2,706	1,588	175
Notes Receivable	-	-	-	-	-
Allowance for Notes Receivable	-	-	-	-	-
Due from Other Governmental Agencies	392,336	-	-	-	-
Due from Other Funds	-	8,794	-	-	-
Land Held for Resale	-	-	-	-	-
Total Assets	<u>\$ 5,079,234</u>	<u>\$ 2,707,942</u>	<u>\$ 373,639</u>	<u>\$ 202,686</u>	<u>\$ 24,142</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable and Other Current Liabilities	\$ -	\$ 170,935	\$ -	\$ -	\$ -
Unearned Revenues	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>170,935</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
Debt Service	-	-	-	-	-
Transportation	5,079,234	-	373,639	-	-
Air Quality	-	-	-	-	24,142
Public Safety	-	-	-	202,686	-
Economic Development	-	2,537,007	-	-	-
Grants	-	-	-	-	-
Other Purposes	-	-	-	-	-
Total Fund Balances	<u>5,079,234</u>	<u>2,537,007</u>	<u>373,639</u>	<u>202,686</u>	<u>24,142</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,079,234</u>	<u>\$ 2,707,942</u>	<u>\$ 373,639</u>	<u>\$ 202,686</u>	<u>\$ 24,142</u>

**CITY OF HESPERIA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds				
	Street Maintenance	Disaster Preparedness Grant	Environmental Programs	Neighborhood Stabilization Program	Home Grant
ASSETS					
Cash and Cash Equivalents	\$ 900,903	\$ 44,271	\$ 256,074	\$ -	\$ 365,037
Restricted Cash and Investments:					
Held for Bond Reserve	-	-	-	-	-
Pension Trust	-	-	-	-	-
Accounts Receivable	294	-	4,745	-	-
Accrued Interest	6,535	323	1,835	-	2,657
Notes Receivable	-	-	-	-	14,520,340
Allowance for Notes Receivable	-	-	-	-	(14,520,340)
Due from Other Governmental Agencies	-	-	-	-	-
Due from Other Funds	30,026	-	-	-	-
Land Held for Resale	-	-	-	-	-
Total Assets	\$ 937,758	\$ 44,594	\$ 262,654	\$ -	\$ 367,694
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable and Other Current Liabilities	\$ 329,681	\$ -	\$ 3,865	\$ -	\$ -
Unearned Revenues	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	329,681	-	3,865	-	-
Deferred Inflows of Resources:					
Unavailable Revenues	-	-	-	-	-
Fund Balances:					
Restricted:					
Debt Service	-	-	-	-	-
Transportation	608,077	-	-	-	-
Air Quality	-	-	-	-	-
Public Safety	-	44,594	-	-	-
Economic Development	-	-	-	-	367,694
Grants	-	-	-	-	-
Other Purposes	-	-	258,789	-	-
Total Fund Balances	608,077	44,594	258,789	-	367,694
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 937,758	\$ 44,594	\$ 262,654	\$ -	\$ 367,694

**CITY OF HESPERIA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			
	Development Impact Fees - Storm Drain	Development Impact Fees - Fire	Development Impact Fees - Police	Development Impact Fees - Public Services
ASSETS				
Cash and Cash Equivalents	\$ 3,110,055	\$ 1,467,363	\$ 6,507	\$ -
Restricted Cash and Investments:				
Held for Bond Reserve	-	-	-	-
Pension Trust	-	-	-	-
Accounts Receivable	-	-	-	-
Accrued Interest	22,685	10,703	47	-
Notes Receivable	-	-	-	-
Allowance for Notes Receivable	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Due from Other Funds	-	-	-	-
Land Held for Resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,132,740</u>	<u>\$ 1,478,066</u>	<u>\$ 6,554</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable and Other Current Liabilities	\$ -	\$ -	\$ -	\$ -
Unearned Revenues	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted:				
Debt Service	-	-	-	-
Transportation	3,132,740	-	-	-
Air Quality	-	-	-	-
Public Safety	-	1,478,066	6,554	-
Economic Development	-	-	-	-
Grants	-	-	-	-
Other Purposes	-	-	-	-
Total Fund Balances	<u>3,132,740</u>	<u>1,478,066</u>	<u>6,554</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,132,740</u>	<u>\$ 1,478,066</u>	<u>\$ 6,554</u>	<u>\$ -</u>

**CITY OF HESPERIA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds			
	Development Impact Fees 2018 - Drainage Facilities	Development Impact Fees 2018 - Fire Suppression	Development Impact Fees 2018 - Animal Control	Development Impact Fees 2018 - Records Storage
ASSETS				
Cash and Cash Equivalents	\$ 2,530,930	\$ 2,899,258	\$ 271,064	\$ 127,255
Restricted Cash and Investments:				
Held for Bond Reserve	-	-	-	-
Pension Trust	-	-	-	-
Accounts Receivable	-	-	-	-
Accrued Interest	18,282	21,053	1,946	924
Notes Receivable	-	-	-	-
Allowance for Notes Receivable	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Due from Other Funds	-	-	-	-
Land Held for Resale	-	-	-	-
Total Assets	<u>\$ 2,549,212</u>	<u>\$ 2,920,311</u>	<u>\$ 273,010</u>	<u>\$ 128,179</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable and Other Current Liabilities	\$ -	\$ -	\$ -	\$ -
Unearned Revenues	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenues	-	-	-	-
Fund Balances:				
Restricted:				
Debt Service	-	-	-	-
Transportation	2,549,212	-	-	-
Air Quality	-	-	-	-
Public Safety	-	2,920,311	273,010	-
Economic Development	-	-	-	-
Grants	-	-	-	-
Other Purposes	-	-	-	128,179
Total Fund Balances	<u>2,549,212</u>	<u>2,920,311</u>	<u>273,010</u>	<u>128,179</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,549,212</u>	<u>\$ 2,920,311</u>	<u>\$ 273,010</u>	<u>\$ 128,179</u>

**CITY OF HESPERIA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Special Revenue Funds				
	Development Impact Fees 2018 - Police Facilities	Development Impact Fees A-04 Drainage	Hesperia Housing Authority	VVEDA Housing Authority	Community Development Commission
ASSETS					
Cash and Cash Equivalents	\$ 34,903	\$ 817,961	\$ 3,818,160	\$ 1,826,361	\$ -
Restricted Cash and Investments:					
Held for Bond Reserve	-	-	-	-	-
Pension Trust	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Accrued Interest	253	5,608	29,075	13,932	-
Notes Receivable	-	-	22,703,860	-	-
Allowance for Notes Receivable	-	-	(22,703,860)	-	-
Due from Other Governmental Agencies	-	-	-	-	-
Due from Other Funds	-	-	115	-	-
Land Held for Resale	-	-	6,779,947	-	11,566,464
Total Assets	<u>\$ 35,156</u>	<u>\$ 823,569</u>	<u>\$ 10,627,297</u>	<u>\$ 1,840,293</u>	<u>\$ 11,566,464</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable and Other Current Liabilities	\$ -	\$ -	\$ 5	\$ -	\$ -
Unearned Revenues	-	-	-	-	-
Due to Other Funds	-	-	-	-	600,673
Total Liabilities	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>600,673</u>
Deferred Inflows of Resources:					
Unavailable Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
Debt Service	-	-	-	-	-
Transportation	-	823,569	-	-	-
Air Quality	-	-	-	-	-
Public Safety	35,156	-	-	-	-
Economic Development	-	-	10,627,292	1,840,293	10,965,791
Grants	-	-	-	-	-
Other Purposes	-	-	-	-	-
Total Fund Balances	<u>35,156</u>	<u>823,569</u>	<u>10,627,292</u>	<u>1,840,293</u>	<u>10,965,791</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 35,156</u>	<u>\$ 823,569</u>	<u>\$ 10,627,297</u>	<u>\$ 1,840,293</u>	<u>\$ 11,566,464</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023

	Special Revenue Funds	Debt Service		
	SB 1383 Local Assistance Grant	2012 Water Rights Acquisition	2013 Refunding of Lease Revenue Bonds	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 103,302	\$ 1,629,149	\$ 1,705,026	\$ 47,005,386
Restricted Cash and Investments:				
Held for Bond Reserve	-	1,495,465	1,184,233	2,679,698
Pension Trust	-	-	-	1,209,611
Accounts Receivable	-	-	-	5,039
Accrued Interest	762	18,013	16,824	357,088
Notes Receivable	-	-	-	37,224,200
Allowance for Notes Receivable	-	-	-	(37,224,200)
Due from Other Governmental Agencies	-	-	-	1,941,973
Due from Other Funds	-	-	-	38,935
Land Held for Resale	-	-	-	18,346,411
Total Assets	\$ 104,064	\$ 3,142,627	\$ 2,906,083	\$ 71,584,141
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable and Other Current Liabilities	\$ -	\$ -	\$ -	\$ 1,277,164
Unearned Revenues	103,124	-	-	103,124
Due to Other Funds	-	-	-	600,673
Total Liabilities	103,124	-	-	1,980,961
Deferred Inflows of Resources:				
Unavailable Revenues	-	-	-	-
Fund Balances:				
Restricted:				
Debt Service	-	3,142,627	2,906,083	6,048,710
Transportation	-	-	-	28,657,311
Air Quality	-	-	-	24,142
Public Safety	-	-	-	6,937,421
Economic Development	940	-	-	26,339,017
Grants	-	-	-	1,209,611
Other Purposes	-	-	-	386,968
Total Fund Balances	940	3,142,627	2,906,083	69,603,180
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 104,064	\$ 3,142,627	\$ 2,906,083	\$ 71,584,141

CITY OF HESPERIA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds				
	Fire District	Measure I Renewal	Gas Tax	Gas Tax Swap	Article 8
REVENUES					
Use of Money and Property	\$ 64,142	\$ 150,213	\$ 20,217	\$ 18,140	\$ 48,374
Intergovernmental	-	4,172,016	1,731,295	814,583	872,556
Charges for Services	-	-	-	-	-
Grants	-	-	-	-	-
Other Revenues	-	1,703	-	-	-
Total Revenues	64,142	4,323,932	1,751,512	832,723	920,930
EXPENDITURES					
Current:					
General Government:					
City Manager	-	-	-	-	-
Public Safety - Fire	1,093,205	-	-	-	-
Development Services	-	-	-	-	-
Debt Service:					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Interest - SBITA	-	-	-	-	-
Principal - SBITA	-	-	-	-	-
Bond Administration	-	-	-	-	-
Capital Outlay:					
Equipment and Vehicles	-	-	-	-	-
Infrastructure	-	116,388	-	-	1,064,496
SBITAs	-	-	-	-	-
Total Expenditures	1,093,205	116,388	-	-	1,064,496
Excess (Deficiencies) of Revenues Over (Under) Expenditures	(1,029,063)	4,207,544	1,751,512	832,723	(143,566)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,130,815	-	-	-	-
Transfers Out	-	(1,750,000)	(1,400,000)	(595,794)	-
Proceeds from Sale of Land Held for Resale	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Issuance of SBITAs	-	-	-	-	-
Total Other Financing Sources (Uses)	1,130,815	(1,750,000)	(1,400,000)	(595,794)	-
NET CHANGE IN FUND BALANCES	101,752	2,457,544	351,512	236,929	(143,566)
Fund Balances - Beginning of Year	3,084,903	8,448,257	1,427,249	1,070,769	2,242,146
FUND BALANCES - END OF YEAR	<u>\$ 3,186,655</u>	<u>\$ 10,905,801</u>	<u>\$ 1,778,761</u>	<u>\$ 1,307,698</u>	<u>\$ 2,098,580</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds				
	Gas Tax - RMRA	Community Development Block Grant	CDBG Revolving Loan	AB 3229 State COPS Program	Air Quality Management District
REVENUES					
Use of Money and Property	\$ 45,344	\$ 61,627	\$ 7,153	\$ 3,252	\$ 463
Intergovernmental	2,238,982	-	-	-	-
Charges for Services	-	-	-	-	-
Grants	-	14,812	-	251,186	-
Other Revenues	-	-	-	-	-
Total Revenues	<u>2,284,326</u>	<u>76,439</u>	<u>7,153</u>	<u>254,438</u>	<u>463</u>
EXPENDITURES					
Current:					
General Government:					
City Manager	-	-	-	-	-
Public Safety - Fire	-	-	-	-	-
Development Services	-	85,657	-	-	-
Debt Service:					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Interest - SBITA	-	-	-	-	-
Principal - SBITA	-	-	-	-	-
Bond Administration	-	-	-	-	-
Capital Outlay:					
Equipment and Vehicles	-	-	-	-	-
Infrastructure	881	894,075	-	-	-
SBITAs	-	-	-	-	-
Total Expenditures	<u>881</u>	<u>979,732</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	2,283,445	(903,293)	7,153	254,438	463
OTHER FINANCING SOURCES (USES)					
Transfers In	-	3,535,941	-	-	-
Transfers Out	-	-	-	(200,000)	-
Proceeds from Sale of Land Held for Resale	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Issuance of SBITAs	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,535,941</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,283,445	2,632,648	7,153	54,438	463
Fund Balances - Beginning of Year	<u>2,795,789</u>	<u>(95,641)</u>	<u>366,486</u>	<u>148,248</u>	<u>23,679</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,079,234</u>	<u>\$ 2,537,007</u>	<u>\$ 373,639</u>	<u>\$ 202,686</u>	<u>\$ 24,142</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds				
	Street Maintenance	Disaster Preparedness Grant	Environmental Programs	Neighborhood Stabilization Program	Home Grant
REVENUES					
Use of Money and Property	\$ 12,133	\$ 854	\$ 4,383	\$ -	\$ 6,822
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Grants	-	-	45,742	344,338	10,874
Other Revenues	1,962	-	14,203	-	-
Total Revenues	<u>14,095</u>	<u>854</u>	<u>64,328</u>	<u>344,338</u>	<u>17,696</u>
EXPENDITURES					
Current:					
General Government:					
City Manager	-	-	44,045	-	-
Public Safety - Fire	-	-	-	-	-
Development Services	3,360,076	-	-	-	-
Debt Service:					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Interest - SBITA	490	-	-	-	-
Principal - SBITA	11,126	-	-	-	-
Bond Administration	-	-	-	-	-
Capital Outlay:					
Equipment and Vehicles	252,356	-	-	-	-
Infrastructure	-	-	-	-	-
SBITAs	11,014	-	-	-	-
Total Expenditures	<u>3,635,062</u>	<u>-</u>	<u>44,045</u>	<u>-</u>	<u>-</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	(3,620,967)	854	20,283	344,338	17,696
OTHER FINANCING SOURCES (USES)					
Transfers In	3,745,794	-	-	-	-
Transfers Out	-	-	-	(3,535,941)	-
Proceeds from Sale of Land Held for Resale	-	-	-	-	-
Sale of Capital Assets	18,025	-	-	-	-
Issuance of SBITAs	11,014	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,774,833</u>	<u>-</u>	<u>-</u>	<u>(3,535,941)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	153,866	854	20,283	(3,191,603)	17,696
Fund Balances - Beginning of Year	<u>454,211</u>	<u>43,740</u>	<u>238,506</u>	<u>3,191,603</u>	<u>349,998</u>
FUND BALANCES - END OF YEAR	<u>\$ 608,077</u>	<u>\$ 44,594</u>	<u>\$ 258,789</u>	<u>\$ -</u>	<u>\$ 367,694</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	Development Impact Fees - Storm Drain	Development Impact Fees - Fire	Development Impact Fees - Police	Development Impact Fees - Public Services
REVENUES				
Use of Money and Property	\$ 58,851	\$ 27,962	\$ 29	\$ 75
Intergovernmental	-	-	-	-
Charges for Services	19,411	21,491	6,239	16,638
Grants	-	-	-	-
Other Revenues	-	-	-	-
Total Revenues	<u>78,262</u>	<u>49,453</u>	<u>6,268</u>	<u>16,713</u>
EXPENDITURES				
Current:				
General Government:				
City Manager	-	-	-	-
Public Safety - Fire	-	-	-	-
Development Services	-	-	-	-
Debt Service:				
Interest	-	-	-	-
Principal	-	-	-	-
Interest - SBITA	-	-	-	-
Principal - SBITA	-	-	-	-
Bond Administration	-	-	-	-
Capital Outlay:				
Equipment and Vehicles	-	-	-	-
Infrastructure	-	-	-	-
SBITAs	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	78,262	49,453	6,268	16,713
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	(16,715)
Proceeds from Sale of Land Held for Resale	-	-	-	-
Sale of Capital Assets	-	-	-	-
Issuance of SBITAs	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,715)</u>
NET CHANGE IN FUND BALANCES	78,262	49,453	6,268	(2)
Fund Balances - Beginning of Year	<u>3,054,478</u>	<u>1,428,613</u>	<u>286</u>	<u>2</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,132,740</u>	<u>\$ 1,478,066</u>	<u>\$ 6,554</u>	<u>\$ -</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			
	Development Impact Fees 2018 - Drainage Facilities	Development Impact Fees 2018 - Fire Suppression	Development Impact Fees 2018 - Animal Control	Development Impact Fees 2018 - Records Storage
REVENUES				
Use of Money and Property	\$ 23,841	\$ 23,820	\$ 4,071	\$ 1,022
Intergovernmental	-	-	-	-
Charges for Services	1,040,955	1,297,667	63,386	57,721
Grants	-	-	-	-
Other Revenues	-	-	-	-
Total Revenues	<u>1,064,796</u>	<u>1,321,487</u>	<u>67,457</u>	<u>58,743</u>
EXPENDITURES				
Current:				
General Government:				
City Manager	-	-	-	-
Public Safety - Fire	-	-	-	-
Development Services	-	-	-	-
Debt Service:				
Interest	-	-	-	-
Principal	-	-	-	-
Interest - SBITA	-	-	-	-
Principal - SBITA	-	-	-	-
Bond Administration	-	-	-	-
Capital Outlay:				
Equipment and Vehicles	-	-	-	-
Infrastructure	-	-	-	-
SBITAs	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	1,064,796	1,321,487	67,457	58,743
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Proceeds from Sale of Land Held for Resale	-	-	-	-
Sale of Capital Assets	-	-	-	-
Issuance of SBITAs	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,064,796	1,321,487	67,457	58,743
Fund Balances - Beginning of Year	<u>1,484,416</u>	<u>1,598,824</u>	<u>205,553</u>	<u>69,436</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,549,212</u>	<u>\$ 2,920,311</u>	<u>\$ 273,010</u>	<u>\$ 128,179</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Funds				
	Development Impact Fees 2018 - Police Facilities	Development Impact Fees A-04 Drainage	Hesperia Housing Authority	VVEDA Housing Authority	Community Development Commission
REVENUES					
Use of Money and Property	\$ 261	\$ 2,557	\$ 449,712	\$ 36,667	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	22,523	769,356	-	-	-
Grants	-	-	-	-	-
Other Revenues	-	-	160,895	-	-
Total Revenues	<u>22,784</u>	<u>771,913</u>	<u>610,607</u>	<u>36,667</u>	<u>-</u>
EXPENDITURES					
Current:					
General Government:					
City Manager	-	-	-	-	-
Public Safety - Fire	-	-	-	-	-
Development Services	-	6,270	150,514	-	-
Debt Service:					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Interest - SBITA	-	-	-	-	-
Principal - SBITA	-	-	-	-	-
Bond Administration	-	-	-	-	-
Capital Outlay:					
Equipment and Vehicles	7,969	-	-	-	-
Infrastructure	-	-	-	-	-
SBITAs	-	-	-	-	-
Total Expenditures	<u>7,969</u>	<u>6,270</u>	<u>150,514</u>	<u>-</u>	<u>-</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	14,815	765,643	460,093	36,667	-
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Proceeds from Sale of Land Held for Resale	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Issuance of SBITAs	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	14,815	765,643	460,093	36,667	-
Fund Balances - Beginning of Year	<u>20,341</u>	<u>57,926</u>	<u>10,167,199</u>	<u>1,803,626</u>	<u>10,965,791</u>
FUND BALANCES - END OF YEAR	<u>\$ 35,156</u>	<u>\$ 823,569</u>	<u>\$ 10,627,292</u>	<u>\$ 1,840,293</u>	<u>\$ 10,965,791</u>

CITY OF HESPERIA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Special Revenue Fund	Debt Service		
	SB 1383 Local Assistance Grant	2012 Water Rights Acquisition	2013 Refunding of Lease Revenue Bonds	Total Other Governmental Funds
REVENUES				
Use of Money and Property	\$ 1,425	\$ 78,464	\$ 75,673	\$ 1,227,547
Intergovernmental	33,272	-	-	9,862,704
Charges for Services	-	-	-	3,315,387
Grants	-	-	-	666,952
Other Revenues	-	-	-	178,763
Total Revenues	<u>34,697</u>	<u>78,464</u>	<u>75,673</u>	<u>15,251,353</u>
EXPENDITURES				
Current:				
General Government:				
City Manager	-	-	-	44,045
Public Safety - Fire	-	-	-	1,093,205
Development Services	33,272	-	-	3,635,789
Debt Service:				
Interest	-	706,075	451,651	1,157,726
Principal	-	730,000	425,000	1,155,000
Interest - SBITA	-	-	-	490
Principal - SBITA	-	-	-	11,126
Bond Administration	-	4,500	2,620	7,120
Capital Outlay:				
Equipment and Vehicles	-	-	-	260,325
Infrastructure	-	-	-	2,075,840
SBITAs	-	-	-	11,014
Total Expenditures	<u>33,272</u>	<u>1,440,575</u>	<u>879,271</u>	<u>9,451,680</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	1,425	(1,362,111)	(803,598)	5,799,673
OTHER FINANCING SOURCES (USES)				
Transfers In	-	1,442,075	768,803	10,623,428
Transfers Out	-	-	-	(7,498,450)
Proceeds from Sale of Land Held for Resale	-	-	-	-
Sale of Capital Assets	-	-	-	18,025
Issuance of SBITAs	-	-	-	11,014
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,442,075</u>	<u>768,803</u>	<u>3,154,017</u>
NET CHANGE IN FUND BALANCES	1,425	79,964	(34,795)	8,953,690
Fund Balances - Beginning of Year	<u>(485)</u>	<u>3,062,663</u>	<u>2,940,878</u>	<u>60,649,490</u>
FUND BALANCES - END OF YEAR	<u>\$ 940</u>	<u>\$ 3,142,627</u>	<u>\$ 2,906,083</u>	<u>\$ 69,603,180</u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FIRE DISTRICT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 8,036	\$ 64,142	\$ 56,106
EXPENDITURES			
Current:			
Public Safety - Fire	1,130,815	1,093,205	37,610
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,122,779)	(1,029,063)	93,716
OTHER FINANCING SOURCES			
Transfers In	1,130,815	1,130,815	-
NET CHANGE IN FUND BALANCE	8,036	101,752	93,716
Fund Balance - Beginning of Year	3,084,903	3,084,903	-
FUND BALANCE - END OF YEAR	<u>\$ 3,092,939</u>	<u>\$ 3,186,655</u>	<u>\$ 93,716</u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
MEASURE I SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 18,916	\$ 150,213	\$ 131,297
Intergovernmental	3,580,000	4,172,016	592,016
Other Revenues	<u>-</u>	<u>1,703</u>	<u>1,703</u>
Total Revenues	3,598,916	4,323,932	725,016
EXPENDITURES			
Capital Outlay:			
Infrastructure	<u>1,652,933</u>	<u>116,388</u>	<u>1,536,545</u>
Excess of Revenues Over Expenditures	1,945,983	4,207,544	2,261,561
OTHER FINANCING USES			
Transfers Out	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	195,983	2,457,544	2,261,561
Fund Balance - Beginning of Year	<u>8,448,257</u>	<u>8,448,257</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 8,644,240</u></u>	<u><u>\$ 10,905,801</u></u>	<u><u>\$ 2,261,561</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 1,974	\$ 20,217	\$ 18,243
Intergovernmental	<u>1,852,229</u>	<u>1,731,295</u>	<u>(120,934)</u>
Total Revenues	1,854,203	1,751,512	(102,691)
 OTHER FINANCING USES			
Transfers Out	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	454,203	351,512	(102,691)
 Fund Balance - Beginning of Year	<u>1,427,249</u>	<u>1,427,249</u>	<u>-</u>
 FUND BALANCE - END OF YEAR	<u><u>\$ 1,881,452</u></u>	<u><u>\$ 1,778,761</u></u>	<u><u>\$ (102,691)</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GAS TAX SWAP SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 1,607	\$ 18,140	\$ 16,533
Intergovernmental	946,025	814,583	(131,442)
Total Revenues	<u>947,632</u>	<u>832,723</u>	<u>(114,909)</u>
OTHER FINANCING USES			
Transfers Out	<u>(595,794)</u>	<u>(595,794)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	351,838	236,929	(114,909)
Fund Balance - Beginning of Year	<u>1,070,769</u>	<u>1,070,769</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,422,607</u></u>	<u><u>\$ 1,307,698</u></u>	<u><u>\$ (114,909)</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
ARTICLE 8 SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 6,137	\$ 48,374	\$ 42,237
Intergovernmental	871,265	872,556	1,291
Total Revenues	<u>877,402</u>	<u>920,930</u>	<u>43,528</u>
EXPENDITURES			
Capital Outlay:			
Infrastructure	<u>1,195,745</u>	<u>1,064,496</u>	<u>131,249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(318,343)	(143,566)	174,777
Fund Balance - Beginning of Year	<u>2,242,146</u>	<u>2,242,146</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,923,803</u></u>	<u><u>\$ 2,098,580</u></u>	<u><u>\$ 174,777</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GAS TAX - RMRA SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 3,617	\$ 45,344	\$ 41,727
Intergovernmental	2,189,496	2,238,982	49,486
Total Revenues	<u>2,193,113</u>	<u>2,284,326</u>	<u>91,213</u>
EXPENDITURES			
Capital Outlay:			
Infrastructure	<u>1,998,500</u>	<u>881</u>	<u>1,997,619</u>
Excess of Revenues Over Expenditures	194,613	2,283,445	2,088,832
Fund Balance - Beginning of Year	<u>2,795,789</u>	<u>2,795,789</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,990,402</u></u>	<u><u>\$ 5,079,234</u></u>	<u><u>\$ 2,088,832</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ -	\$ 61,627	\$ 61,627
Grants	1,509,086	14,812	(1,494,274)
Total Revenues	<u>1,509,086</u>	<u>76,439</u>	<u>(1,432,647)</u>
EXPENDITURES			
Current:			
Development Services	84,087	85,657	(1,570)
Capital Outlay:			
Infrastructure	4,921,681	894,075	4,027,606
Total Expenditures	<u>5,005,768</u>	<u>979,732</u>	<u>4,026,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,496,682)	(903,293)	2,593,389
OTHER FINANCING SOURCES			
Transfers In	<u>-</u>	<u>3,535,941</u>	<u>3,535,941</u>
NET CHANGE IN FUND BALANCE	(3,496,682)	2,632,648	6,129,330
Fund Balance (Deficit) - Beginning of Year	<u>(95,641)</u>	<u>(95,641)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (3,592,323)</u></u>	<u><u>\$ 2,537,007</u></u>	<u><u>\$ 6,129,330</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 979	\$ 7,153	\$ 6,174
Fund Balance - Beginning of Year	<u>366,486</u>	<u>366,486</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 367,465</u></u>	<u><u>\$ 373,639</u></u>	<u><u>\$ 6,174</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AB 3229 STATE COPS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 408	\$ 3,252	\$ 2,844
Grants	<u>237,176</u>	<u>251,186</u>	<u>14,010</u>
Total Revenues	237,584	254,438	16,854
 OTHER FINANCING USES			
Transfers Out	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	37,584	54,438	16,854
 Fund Balance - Beginning of Year	<u>148,248</u>	<u>148,248</u>	<u>-</u>
 FUND BALANCE - END OF YEAR	<u><u>\$ 185,832</u></u>	<u><u>\$ 202,686</u></u>	<u><u>\$ 16,854</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AIR QUALITY MANAGEMENT DISTRICT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 61	\$ 463	\$ 402
Fund Balance - Beginning of Year	<u>23,679</u>	<u>23,679</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 23,740</u></u>	<u><u>\$ 24,142</u></u>	<u><u>\$ 402</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
STREET MAINTENANCE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance with Budget
REVENUES			
Use of Money and Property	\$ 1,944	\$ 12,133	\$ 10,189
Other Revenues	-	1,962	1,962
Total Revenues	<u>1,944</u>	<u>14,095</u>	<u>12,151</u>
EXPENDITURES			
Current:			
Development Services	3,768,918	3,360,076	408,842
Debt Service:			
Interest - SBITA	-	490	(490)
Principal - SBITA	-	11,126	(11,126)
Capital Outlay:			
Equipment and Vehicles	272,555	252,356	20,199
SBITAs	-	11,014	(11,014)
Total Expenditures	<u>4,041,473</u>	<u>3,635,062</u>	<u>406,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,039,529)	(3,620,967)	418,562
OTHER FINANCING SOURCES			
Transfers In	3,745,794	3,745,794	-
Sale of Capital Assets	-	18,025	18,025
Issuance of SBITAs	-	11,014	11,014
Total Other Financing Sources	<u>3,745,794</u>	<u>3,774,833</u>	<u>29,039</u>
NET CHANGE IN FUND BALANCE	(293,735)	153,866	447,601
Fund Balance - Beginning of Year	<u>454,211</u>	<u>454,211</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 160,476</u></u>	<u><u>\$ 608,077</u></u>	<u><u>\$ 447,601</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DISASTER PREPAREDNESS GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 117	\$ 854	\$ 737
Fund Balance - Beginning of Year	<u>43,740</u>	<u>43,740</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 43,857</u></u>	<u><u>\$ 44,594</u></u>	<u><u>\$ 737</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
ENVIRONMENTAL PROGRAMS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 551	\$ 4,383	\$ 3,832
Grants	50,974	45,742	(5,232)
Other Revenues	<u>12,000</u>	<u>14,203</u>	<u>2,203</u>
Total Revenues	63,525	64,328	803
EXPENDITURES			
Current:			
General Government:			
City Manager	<u>82,557</u>	<u>44,045</u>	<u>38,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,032)	20,283	39,315
Fund Balance - Beginning of Year	<u>238,506</u>	<u>238,506</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 219,474</u></u>	<u><u>\$ 258,789</u></u>	<u><u>\$ 39,315</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
NEIGHBORHOOD STABILIZATION PROGRAM SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 7,632	\$ -	\$ (7,632)
Grants	<u>-</u>	<u>344,338</u>	<u>344,338</u>
Total Revenues	7,632	344,338	336,706
 OTHER FINANCING USES			
Transfers Out	<u>(3,535,941)</u>	<u>(3,535,941)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	(3,528,309)	(3,191,603)	336,706
 Fund Balance - Beginning of Year	<u>3,191,603</u>	<u>3,191,603</u>	<u>-</u>
 FUND BALANCE - END OF YEAR	<u><u>\$ (336,706)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 336,706</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
HOME GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 923	\$ 6,822	\$ 5,899
Grants	<u>10,000</u>	<u>10,874</u>	<u>874</u>
Total Revenues	10,923	17,696	6,773
 Fund Balance - Beginning of Year	 <u>349,998</u>	 <u>349,998</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 360,921</u></u>	 <u><u>\$ 367,694</u></u>	 <u><u>\$ 6,773</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES – STORM DRAIN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 8,070	\$ 58,851	\$ 50,781
Charges for Services	19,288	19,411	123
Total Revenues	<u>27,358</u>	<u>78,262</u>	<u>50,904</u>
EXPENDITURES			
Capital Outlay:			
Infrastructure	<u>1,065,149</u>	<u>-</u>	<u>1,065,149</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,037,791)	78,262	1,116,053
Fund Balance - Beginning of Year	<u>3,054,478</u>	<u>3,054,478</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,016,687</u></u>	<u><u>\$ 3,132,740</u></u>	<u><u>\$ 1,116,053</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES – FIRE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 3,826	\$ 27,962	\$ 24,136
Charges for Services	21,355	21,491	136
Total Revenues	<u>25,181</u>	<u>49,453</u>	<u>24,272</u>
 Fund Balance - Beginning of Year	 <u>1,428,613</u>	 <u>1,428,613</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 1,453,794</u></u>	 <u><u>\$ 1,478,066</u></u>	 <u><u>\$ 24,272</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES – POLICE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 5	\$ 29	\$ 24
Charges for Services	<u>6,200</u>	<u>6,239</u>	<u>39</u>
Total Revenues	6,205	6,268	63
 Fund Balance - Beginning of Year	 <u>286</u>	 <u>286</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 6,491</u></u>	 <u><u>\$ 6,554</u></u>	 <u><u>\$ 63</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES – PUBLIC SERVICES SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 4	\$ 75	\$ 71
Charges for Services	16,533	16,638	105
Total Revenues	<u>16,537</u>	<u>16,713</u>	<u>176</u>
 OTHER FINANCING USES			
Transfers Out	<u>(16,715)</u>	<u>(16,715)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	(178)	(2)	176
 Fund Balance - Beginning of Year	<u>2</u>	<u>2</u>	<u>-</u>
 FUND BALANCE - END OF YEAR	<u><u>\$ (176)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 – DRAINAGE FACILITIES SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 2,423	\$ 23,841	\$ 21,418
Charges for Services	1,030,479	1,040,955	10,476
Total Revenues	<u>1,032,902</u>	<u>1,064,796</u>	<u>31,894</u>
EXPENDITURES			
Capital Outlay:			
Infrastructure	20,000	-	20,000
Total Expenditures	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Excess of Revenues Over Expenditures	1,012,902	1,064,796	51,894
Fund Balance - Beginning of Year	<u>1,484,416</u>	<u>1,484,416</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,497,318</u></u>	<u><u>\$ 2,549,212</u></u>	<u><u>\$ 51,894</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 – FIRE SUPPRESSION SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 2,260	\$ 23,820	\$ 21,560
Charges for Services	1,312,830	1,297,667	(15,163)
Total Revenues	<u>1,315,090</u>	<u>1,321,487</u>	<u>6,397</u>
 Fund Balance - Beginning of Year	 <u>1,598,824</u>	 <u>1,598,824</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 2,913,914</u></u>	 <u><u>\$ 2,920,311</u></u>	 <u><u>\$ 6,397</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 – ANIMAL CONTROL SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 439	\$ 4,071	\$ 3,632
Charges for Services	65,016	63,386	(1,630)
Total Revenues	<u>65,455</u>	<u>67,457</u>	<u>2,002</u>
 Fund Balance - Beginning of Year	 <u>205,553</u>	 <u>205,553</u>	 <u>-</u>
FUND BALANCE - END OF YEAR	 <u><u>\$ 271,008</u></u>	 <u><u>\$ 273,010</u></u>	 <u><u>\$ 2,002</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 – RECORDS STORAGE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 97	\$ 1,022	\$ 925
Charges for Services	58,413	57,721	(692)
Total Revenues	<u>58,510</u>	<u>58,743</u>	<u>233</u>
 Fund Balance - Beginning of Year	 <u>69,436</u>	 <u>69,436</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 127,946</u></u>	 <u><u>\$ 128,179</u></u>	 <u><u>\$ 233</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 – POLICE FACILITIES SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 20	\$ 261	\$ 241
Charges for Services	22,553	22,523	(30)
Total Revenues	<u>22,573</u>	<u>22,784</u>	<u>211</u>
EXPENDITURES			
Capital Outlay:			
Equipment and Vehicles	<u>7,969</u>	<u>7,969</u>	<u>-</u>
Excess of Revenues Over Expenditures	14,604	14,815	211
Fund Balance - Beginning of Year	<u>20,341</u>	<u>20,341</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 34,945</u></u>	<u><u>\$ 35,156</u></u>	<u><u>\$ 211</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES – A-04 DRAINAGE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ -	\$ 2,557	\$ 2,557
Charges for Services	210,780	769,356	558,576
Total Revenues	<u>210,780</u>	<u>771,913</u>	<u>561,133</u>
EXPENDITURES			
Current:			
Development Services	<u>952,000</u>	<u>6,270</u>	<u>945,730</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(741,220)	765,643	1,506,863
Fund Balance - Beginning of Year	<u>57,926</u>	<u>57,926</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (683,294)</u></u>	<u><u>\$ 823,569</u></u>	<u><u>\$ 1,506,863</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
HESPERIA HOUSING AUTHORITY SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 23,832	\$ 449,712	\$ 425,880
Other Revenues	94,084	160,895	66,811
Total Revenues	<u>117,916</u>	<u>610,607</u>	<u>492,691</u>
EXPENDITURES			
Current:			
Development Services	<u>150,514</u>	<u>150,514</u>	<u>-</u>
Excess of Revenues Over Expenditures	(32,598)	460,093	492,691
Fund Balance - Beginning of Year	<u>10,167,199</u>	<u>10,167,199</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 10,134,601</u></u>	<u><u>\$ 10,627,292</u></u>	<u><u>\$ 492,691</u></u>

**CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
VVEDA HOUSING AUTHORITY SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 3,500	\$ 36,667	\$ 33,167
Fund Balance - Beginning of Year	<u>1,803,626</u>	<u>1,803,626</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,807,126</u></u>	<u><u>\$ 1,840,293</u></u>	<u><u>\$ 33,167</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
SB 1383 LOCAL ASSISTANCE GRANT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ -	\$ 1,425	\$ 1,425
Intergovernmental	-	33,272	33,272
Total Revenues	<u>-</u>	<u>34,697</u>	<u>34,697</u>
EXPENDITURES			
Current:			
Development Services	<u>94,230</u>	<u>33,272</u>	<u>60,958</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(94,230)	1,425	95,655
Fund Balance (Deficit) - Beginning of Year	<u>(485)</u>	<u>(485)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (94,715)</u></u>	<u><u>\$ 940</u></u>	<u><u>\$ 95,655</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
2012 WATER RIGHTS ACQUISITION DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 1,454	\$ 78,464	\$ 77,010
EXPENDITURES			
Debt Service:			
Interest	706,075	706,075	-
Principal	730,000	730,000	-
Bond Administration Expense	6,000	4,500	1,500
Total Expenditures	<u>1,442,075</u>	<u>1,440,575</u>	<u>1,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,440,621)	(1,362,111)	78,510
OTHER FINANCING SOURCES			
Transfers In	<u>1,442,075</u>	<u>1,442,075</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,454	79,964	78,510
Fund Balance - Beginning of Year	<u>3,062,663</u>	<u>3,062,663</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,064,117</u></u>	<u><u>\$ 3,142,627</u></u>	<u><u>\$ 78,510</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
2013 LEASE REVENUE BONDS DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023

	Marks-Roos Revenue Bonds		
	Budget	Actual	Variance with Budget
REVENUES			
Use of Money and Property	\$ 4,066	\$ 75,673	\$ 71,607
EXPENDITURES			
Debt Service:			
Interest	451,651	451,651	-
Principal	425,000	425,000	-
Bond Administration Expense	4,500	2,620	1,880
Total Expenditures	881,151	879,271	1,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	(877,085)	(803,598)	73,487
OTHER FINANCING SOURCES			
Transfers In	768,803	768,803	-
NET CHANGE IN FUND BALANCE	(108,282)	(34,795)	73,487
Fund Balance - Beginning of Year	2,940,878	2,940,878	-
FUND BALANCE - END OF YEAR	<u>\$ 2,832,596</u>	<u>\$ 2,906,083</u>	<u>\$ 73,487</u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
CITY PROJECTS CAPITAL PROJECTS FUND – MAJOR FUND
YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
REVENUES			
Use of Money and Property	\$ 100	\$ 1,144	\$ 1,044
Intergovernmental	14,503,767	3,237,540	(11,266,227)
Grants	3,957,748	879,469	(3,078,279)
Other Revenues	<u>8,012,703</u>	<u>1,818,089</u>	<u>(6,194,614)</u>
Total Revenues	26,474,318	5,936,242	(20,538,076)
EXPENDITURES			
Capital Outlay:			
Infrastructure	<u>28,132,561</u>	<u>9,135,354</u>	<u>18,997,207</u>
Deficiency of Revenues			
Under Expenditures	(1,658,243)	(3,199,112)	(1,540,869)
OTHER FINANCING SOURCES			
Transfers In	<u>-</u>	<u>916</u>	<u>916</u>
NET CHANGE IN FUND BALANCE	(1,658,243)	(3,198,196)	(1,539,953)
Fund Balance (Deficit) - Beginning of Year	<u>(3,719,988)</u>	<u>(3,719,988)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (5,378,231)</u></u>	<u><u>\$ (6,918,184)</u></u>	<u><u>\$ (1,539,953)</u></u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2023

	Assessment District 91-1 Fund	Rancho Las Flores	Community Facilities District 2005-1 Fund	HFPD	Total
ASSETS					
Cash and Investments	\$ 373,337	\$ 21,067	\$ 1,675,654	\$ 347,796	\$ 2,417,854
Cash and Investments with Fiscal Agent	-	-	1,498,064	-	1,498,064
Accounts Receivable	-	-	33,365	-	33,365
Accrued Interest	2,723	154	19,962	-	22,839
Total Assets	<u>376,060</u>	<u>21,221</u>	<u>3,227,045</u>	<u>347,796</u>	<u>3,972,122</u>
LIABILITIES					
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,796</u>	<u>347,796</u>
NET POSITION					
Held for Other Organizations	<u>\$ 376,060</u>	<u>\$ 21,221</u>	<u>\$ 3,227,045</u>	<u>\$ -</u>	<u>\$ 3,624,326</u>

CITY OF HESPERIA, CALIFORNIA
SCHEDULE OF COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
YEAR ENDED JUNE 30, 2023

	Assessment District 91-1 Fund	Rancho Las Flores	Community Facilities District 2005-1 Fund	HFPD	Total
ADDITIONS					
Taxes	\$ -	\$ -	\$ 2,027,374	\$ -	\$ 2,027,374
Investment and Rental	7,199	408	57,088	52,328	117,023
Other	-	-	-	295,468	295,468
Total Additions	<u>7,199</u>	<u>408</u>	<u>2,084,462</u>	<u>347,796</u>	<u>2,439,865</u>
DEDUCTIONS					
Payments to others	-	-	631,970	347,796	979,766
Principal Expense	-	-	620,000	-	620,000
Interest and Fiscal Expense	-	-	683,828	-	683,828
Total Deductions	<u>-</u>	<u>-</u>	<u>1,935,798</u>	<u>347,796</u>	<u>2,283,594</u>
CHANGE IN NET POSITION	7,199	408	148,664	-	156,271
Total Net Position - Beginning of Year	<u>368,861</u>	<u>20,813</u>	<u>3,078,381</u>	<u>-</u>	<u>3,468,055</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 376,060</u>	<u>\$ 21,221</u>	<u>\$ 3,227,045</u>	<u>\$ -</u>	<u>\$ 3,624,326</u>

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STATISTICAL SECTION



STATISTICAL SECTION NARRATIVE

The schedules of this statistical section fall into one of five broad classifications of information which include:

Financial Trends Information is intended to assist users in understanding and assessing how a government's financial position has changed over time.

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity Information is intended to assist users in understanding and assessing factors affecting a government's ability to generate its own revenue. As 88% of the revenues are tax related, and of that, 40% is property taxes, emphasis on the valuation of the taxable property is a significant item to monitor.

- Assessed Value and Estimated Actual Value of Taxable Property

Debt Capacity Information is intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.

- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections
- Ratios of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Bonded Debt
- Computation of Legal Debt Margin
- Pledged-Revenue Coverage

Demographic and Economic Information is intended to assist users in understanding the socioeconomic environment within which a government operates and provide information that facilitates comparison of financial statement information over time and among governments.

- Demographic and Economic Statistics
- Principal Employers
- Full-time and Part-time City Employees

Operating Information is intended to provide information about operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.

- Operating Indicators
- Capital Asset Statistics
- Water Sold by Type of Customer
- Water Rates
- Water Customers

CITY OF HESPERIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities:				
Net investment in capital assets	\$ 196,334,806	\$ 194,674,329	\$ 177,890,141	\$ 174,609,141
Restricted	3,491,444	3,490,014	2,603,522	2,605,920
Unrestricted	56,929,048	38,258,568	46,998,283	40,510,364
Total governmental activities net position	<u>\$ 256,755,298</u>	<u>\$ 236,422,911</u>	<u>\$ 227,491,946</u>	<u>\$ 217,725,425</u>
Business-type activities:				
Net investment in capital assets	\$ 84,373,971	\$ 82,701,051	\$ 81,151,492	\$ 82,779,673
Restricted	1,888,888	1,888,888	1,888,888	1,888,901
Unrestricted	2,588,449	1,289,583	1,747,965	527,087
Total business-type activities net position	<u>\$ 88,851,308</u>	<u>\$ 85,879,522</u>	<u>\$ 84,788,345</u>	<u>\$ 85,195,661</u>
Primary government:				
Net investment in capital assets	\$ 280,708,777	\$ 277,375,380	\$ 259,041,633	\$ 257,388,814
Restricted	5,380,332	5,378,902	4,492,410	4,494,821
Unrestricted	59,517,497	39,548,151	48,746,248	41,037,451
Total primary government net position	<u>\$ 345,606,606</u>	<u>\$ 322,302,433</u>	<u>\$ 312,280,291</u>	<u>\$ 302,921,086</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 151,028,156	\$ 147,642,747	\$ 141,327,961	\$ 138,332,337	\$ 137,889,930	\$ 144,131,366
2,612,221	2,678,741	64,049,344	68,351,276	77,321,982	81,685,252
38,038,045	24,741,800	(29,893,868)	(22,103,576)	(14,201,182)	11,402,698
<u>\$ 191,678,422</u>	<u>\$ 175,063,288</u>	<u>\$ 175,483,437</u>	<u>\$ 184,580,037</u>	<u>\$ 201,010,730</u>	<u>\$ 237,219,316</u>
\$ 84,750,254	\$ 88,640,263	\$ 87,867,127	\$ 92,064,054	\$ 92,650,987	\$ 90,486,643
1,893,896	1,889,131	394,734	385,528	385,528	385,528
1,749,587	1,535,393	9,351,266	10,287,087	18,082,226	28,561,751
<u>\$ 88,393,737</u>	<u>\$ 92,064,787</u>	<u>\$ 97,613,127</u>	<u>\$ 102,736,669</u>	<u>\$ 111,118,741</u>	<u>\$ 119,433,922</u>
\$ 235,778,410	\$ 236,283,010	\$ 229,195,088	\$ 230,396,391	\$ 230,540,917	\$ 234,618,009
4,506,117	4,567,872	64,444,078	68,736,804	77,707,510	82,070,780
39,787,632	26,277,193	(20,542,602)	(11,816,489)	3,881,044	39,964,449
<u>\$ 280,072,159</u>	<u>\$ 267,128,075</u>	<u>\$ 273,096,564</u>	<u>\$ 287,316,706</u>	<u>\$ 312,129,471</u>	<u>\$ 356,653,238</u>

**CITY OF HESPERIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2014	2015	2016	2017
Expenses:				
Governmental activities:				
General government	\$ 8,305,493	\$ 7,268,741	\$ 7,867,596	\$ 8,943,760
Public safety	24,063,447	25,164,286	25,512,637	27,464,389
Development services	20,376,539	18,290,886	17,558,931	24,649,500
Interest on long-term debt	1,783,967	1,530,538	1,453,069	1,406,880
Total governmental activities expenses	<u>54,529,446</u>	<u>52,254,451</u>	<u>52,392,233</u>	<u>62,464,529</u>
Business-type activities:				
Water	19,014,005	17,285,767	17,886,564	18,142,253
Wastewater	2,944,634	2,912,437	3,039,080	3,315,505
Total business-type activities expenses	<u>21,958,639</u>	<u>20,198,204</u>	<u>20,925,644</u>	<u>21,457,758</u>
Total primary government expenses	<u>76,488,085</u>	<u>72,452,655</u>	<u>73,317,877</u>	<u>83,922,287</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	4,696,201	4,348,094	4,645,281	5,706,695
Public safety	4,531,678	4,741,715	3,712,048	3,605,671
Transportation	18,488	25,230	3,156	2,724
Development services	867,793	1,124,106	1,439,939	2,196,396
Operating grants and contributions	7,199,155	6,717,219	6,697,290	8,680,855
Capital grants and contributions	2,506,222	150,598	172,319	256,246
Total governmental activities program revenues	<u>19,819,537</u>	<u>17,106,962</u>	<u>16,670,033</u>	<u>20,448,587</u>
Business-type activities:				
Charges for services:				
Water	16,243,222	15,783,240	14,822,201	15,727,618
Wastewater	3,513,751	3,608,367	3,633,380	3,679,006
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	213,722
Total business-type activities program revenues	<u>19,756,973</u>	<u>19,391,607</u>	<u>18,455,581</u>	<u>19,620,346</u>
Total primary government program revenues	<u>39,576,510</u>	<u>36,498,569</u>	<u>35,125,614</u>	<u>40,068,933</u>
Net revenues (expenses):				
Governmental activities	(34,709,909)	(35,147,489)	(35,722,200)	(42,015,942)
Business-type activities	(2,201,666)	(806,597)	(2,470,063)	(1,837,412)
Total net revenues (expenses)	<u>(36,911,575)</u>	<u>(35,954,086)</u>	<u>(38,192,263)</u>	<u>(43,853,354)</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 30,713,526	\$ 8,494,441	\$ 9,330,386	\$ 7,058,422	\$ 11,109,624	\$ 11,235,610
28,466,268	21,296,961	18,719,485	19,350,202	19,744,311	20,033,730
22,696,810	21,632,184	23,152,577	23,030,654	22,093,720	27,571,092
1,849,905	1,574,360	1,676,057	1,374,552	1,272,030	1,468,184
83,726,509	52,997,946	52,878,505	50,813,830	54,219,685	60,308,616
20,079,455	18,121,295	20,486,895	22,071,529	22,319,170	21,834,936
4,022,677	4,669,067	4,569,157	5,195,651	5,901,154	5,948,464
24,102,132	22,790,362	25,056,052	27,267,180	28,220,324	27,783,400
107,828,641	75,788,308	77,934,557	78,081,010	82,440,009	88,092,016
7,516,909	6,779,059	7,831,796	9,708,286	11,785,197	13,578,767
4,032,694	1,137,749	693,224	727,213	1,440,977	1,771,731
14,774	-	-	-	-	-
4,359,582	3,642,909	4,121,886	3,085,188	6,354,043	15,761,897
7,276,975	8,850,246	9,958,227	12,261,720	10,400,259	13,658,179
140,020	16,827	44,515	472,554	4,425,367	13,428,649
23,340,954	20,426,790	22,649,648	26,254,961	34,405,843	58,199,223
17,197,681	18,318,640	20,078,639	23,749,559	25,469,043	25,968,331
4,206,723	4,538,000	4,867,404	5,369,996	7,685,053	6,386,409
-	1,689,083	2,896,118	199,978	528,024	-
-	-	-	103,090	-	-
21,404,404	24,545,723	27,842,161	29,422,623	33,682,120	32,354,740
44,745,358	44,972,513	50,491,809	55,677,584	68,087,963	90,553,963
(60,385,555)	(32,571,156)	(30,228,857)	(24,558,869)	(19,813,842)	(2,109,393)
(2,697,728)	1,755,361	2,786,109	2,155,443	5,461,796	4,571,340
(63,083,283)	(30,815,795)	(27,442,748)	(22,403,426)	(14,352,046)	2,461,947

CITY OF HESPERIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2014	2015	2016	2017
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,301,566	\$ 6,651,348	\$ 7,136,879	\$ 7,657,562
Sales and use tax	10,124,237	10,042,299	10,455,912	10,390,005
Transient occupancy tax	1,040,271	1,163,434	1,148,212	1,101,101
Franchise tax	2,978,024	3,196,630	3,257,019	3,231,198
Document transfer tax	147,482	231,387	209,218	269,704
Other	-	-	-	-
Vehicle license fees	6,194,705	6,534,189	7,044,997	7,417,786
Income from property and investments	1,745,715	1,839,817	1,936,799	2,274,694
Gain/(loss) on disposal of capital assets	-	-	-	-
Special Item - Loss on exchange of capital assets	-	-	(303,550)	-
Insurance Proceeds	-	-	-	-
Unrestricted capital contributions	-	-	-	70,935
Other general revenues and transfers Gain on sale / exchange of asset	66,929	534,129	302,988	133,435
Total governmental activities before extraordinary gain/(loss) and special item	35,201	-	-	-
Extraordinary gain/(loss)	29,634,130	30,193,233	31,188,474	32,546,420
Total governmental activities	-	-	(4,061,284)	-
Total governmental activities	29,634,130	30,193,233	27,127,190	32,546,420
Business-type activities:				
Property taxes	320,722	287,410	320,590	357,298
Unrestricted investment earnings	14,717	13,743	28,609	59,225
Unrestricted system improvement and replacement	306,762	414,951	575,453	1,321,835
Proceeds from loan payable	-	-	-	-
Gain on sale / exchange of asset	-	-	-	43,725
Other revenues and transfers	394,474	341,505	454,234	462,646
Grants received	-	-	-	-
Gain on disposal of capital assets	-	-	-	-
Total business-type revenues and transfers	1,036,675	1,057,609	1,378,886	2,244,729
Total primary government	30,670,805	31,250,842	28,506,076	34,791,149
Changes in net position:				
Governmental activities	(5,075,779)	(4,954,256)	(8,595,010)	(9,469,522)
Business-type activities	(1,164,991)	251,012	(1,091,177)	407,317
Total primary government	<u>\$ (6,240,770)</u>	<u>\$ (4,703,244)</u>	<u>\$ (9,686,187)</u>	<u>\$ (9,062,205)</u>

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 8,334,572	\$ 10,219,038	\$ 10,642,798	\$ 11,267,340	\$ 11,951,542	\$ 13,210,009
11,565,238	10,305,375	10,969,697	13,378,248	14,642,721	15,453,623
1,295,192	1,399,842	1,389,038	1,798,649	2,013,412	1,899,895
3,359,697	3,500,687	3,565,576	3,654,647	3,936,383	4,188,869
302,093	280,853	283,585	387,446	567,788	346,286
-	37,686	290,022	702,916	544,396	402,200
7,913,637	45,518	76,266	70,698	110,966	102,834
2,644,205	2,969,540	2,975,216	2,297,044	1,801,658	2,580,969
1,444	17,320	-	18,301	-	-
-	-	-	-	-	-
-	-	-	-	30,636	-
-	-	-	-	-	-
322,495	1,207,065	456,808	80,180	105,033	133,294
-	-	-	-	-	-
35,738,573	29,982,924	30,649,006	33,655,469	35,704,535	38,317,979
-	(7,945,330)	-	-	-	-
35,738,573	22,037,594	30,649,006	33,655,469	35,704,535	38,317,979
370,292	465,594	512,114	482,839	508,958	717,089
152,775	260,854	227,763	82,021	(256,590)	621,878
965,385	976,249	1,806,811	2,183,081	2,428,104	2,172,386
-	-	-	-	-	-
-	11,938	-	-	-	-
251,670	201,054	215,543	220,158	239,804	232,488
1,941,740	-	-	-	-	-
2,816,417	-	-	-	-	-
6,498,279	1,915,689	2,762,231	2,968,099	2,920,276	3,743,841
42,236,852	23,953,283	33,411,237	36,623,568	38,624,811	42,061,820
(24,646,982)	(10,533,562)	420,149	9,096,600	15,890,693	36,208,586
3,800,551	3,671,050	5,548,340	5,123,542	8,382,072	8,315,181
<u>\$ (20,846,431)</u>	<u>\$ (6,862,512)</u>	<u>\$ 5,968,489</u>	<u>\$ 14,220,142</u>	<u>\$ 24,272,765</u>	<u>\$ 44,523,767</u>

CITY OF HESPERIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2014	2015	2016	2017
General Fund:				
Nonspendable	\$ -	\$ -	\$ 844,842	\$ 1,520,637
Assigned	150,000	150,000	150,000	150,000
Unassigned	12,701,103	10,697,900	9,819,579	6,300,468
Total General Fund	<u>\$ 12,851,103</u>	<u>\$ 10,847,900</u>	<u>\$ 10,814,421</u>	<u>\$ 7,971,105</u>
 Other Governmental Funds:				
Nonspendable	\$ 9,762,337	\$ -	\$ -	\$ 7,380
Restricted	16,684,194	51,360,979	60,910,649	58,598,260
Committed	25,767,388	-	-	-
Assigned	1,012,802	574,819	554,861	-
Unassigned	(523,597)	(514,947)	(1,619,962)	(1,663,421)
Total Other Governmental Funds	<u>\$ 52,703,124</u>	<u>\$ 51,420,851</u>	<u>\$ 59,845,548</u>	<u>\$ 56,942,219</u>

Notes:

- (a) The City implemented GASB statement No. 54 in the fiscal year ended June 30, 2011.
- (b) The City implemented GASB statements No. 68 and No. 71 the fiscal year ended June 30, 2015.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 2,155,417	\$ 2,666,290	\$ 3,161,033	\$ 3,720,877	\$ 4,734,305	\$ 4,901,734
150,000	150,000	150,000	-	-	3,428,206
5,921,940	10,264,097	12,581,274	16,759,291	24,712,252	27,804,510
<u>\$ 8,227,357</u>	<u>\$ 13,080,387</u>	<u>\$ 15,892,307</u>	<u>\$ 20,480,168</u>	<u>\$ 29,446,557</u>	<u>\$ 36,134,450</u>
\$ 8,045	\$ -	\$ -	\$ -	\$ -	\$ -
62,362,451	59,015,436	64,049,344	68,351,276	77,321,982	76,988,099
-	-	-	-	-	-
-	-	-	-	-	-
(3,105,516)	(2,641,156)	(3,693,317)	(3,938,062)	(7,303,746)	(9,953,583)
<u>\$ 59,264,980</u>	<u>\$ 56,374,280</u>	<u>\$ 60,356,027</u>	<u>\$ 64,413,214</u>	<u>\$ 70,018,236</u>	<u>\$ 67,034,516</u>

CITY OF HESPERIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2014	2015	2016	2017
Revenues:				
Taxes	\$ 25,810,277	\$ 24,857,082	\$ 25,753,020	\$ 25,563,592
Licenses and permits	274,845	249,645	218,187	202,800
Fines and forfeits	1,078,299	730,759	611,892	692,958
Use of money and property	305,202	336,889	279,643	379,097
Intergovernmental	10,570,236	10,956,809	11,569,248	11,953,716
Charges for services	5,244,644	6,021,914	6,236,834	7,563,827
Grants	3,069,915	1,640,455	1,447,056	3,501,501
Other revenues	3,259,028	2,406,483	2,462,075	2,623,371
Total revenues	<u>49,612,446</u>	<u>47,200,036</u>	<u>48,577,955</u>	<u>52,480,862</u>
Expenditures:				
Noncapital Expenditures:				
Current:				
General government	6,307,766	5,884,810	6,133,879	7,067,037
Public safety	23,297,100	24,521,949	24,612,969	25,992,896
Development services	12,756,306	10,780,744	11,755,745	16,720,178
Debt service:				
Interest	1,174,686	1,439,244	1,421,297	1,401,158
Principal	1,705,000	1,605,000	5,385,000	830,000
Debt issuance costs	193,035	-	29,808	-
Bond administration expense	277,518	91,441	-	4,450
Total noncapital expenditures	<u>45,711,411</u>	<u>44,323,188</u>	<u>49,338,698</u>	<u>52,015,719</u>
Capital outlay	5,196,460	6,162,324	5,611,919	6,211,788
Total Expenditures	<u>50,907,871</u>	<u>50,485,512</u>	<u>54,950,617</u>	<u>58,227,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,295,425)</u>	<u>(3,285,476)</u>	<u>(6,372,662)</u>	<u>(5,746,645)</u>
Other financing sources (uses):				
Transfers in	20,618,002	8,521,039	6,025,208	6,735,501
Transfers out	(20,618,002)	(8,521,039)	(6,025,208)	(6,735,501)
Proceeds from sale of Land Held for Resale	-	-	-	-
Proceeds from sale of capital assets	136,143	-	-	-
Insurance proceeds	-	-	-	-
Proceeds from bond refunding	12,445,000	-	-	-
Payment to refund bond	(12,200,000)	-	-	-
Discount on bonds	(114,570)	-	-	-
Issuance of SBIT As	-	-	-	-
Issuance of Lease	-	-	-	-
Total other financing sources (uses)	<u>266,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary gain/(loss)				
Prior period adjustment	-	1,265,000	18,825,164	-
Extraordinary gain/(loss)	-	-	(4,061,284)	-
Total extraordinary gain/(loss)	-	1,265,000	14,763,880	-
Special Item				
Transfer of fire operations to County				
Net change in fund balances	<u>\$ (1,028,852)</u>	<u>\$ (2,020,476)</u>	<u>\$ 8,391,218</u>	<u>\$ (5,746,645)</u>
Debt service as a percentage of noncapital expenditures	6.3%	6.9%	13.8%	4.3%

Notes:

Debt Service as a Percentage of Noncapital Expenditures is calculated by dividing the sum of the debt service expenditures by the total noncapital expenditures.

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 28,537,419	\$ 21,428,029	\$ 22,429,824	\$ 25,956,341	\$ 23,814,083	\$ 23,850,539
232,351	255,400	284,948	262,816	289,932	293,004
909,468	915,427	1,366,432	1,146,202	1,488,889	1,797,172
597,499	1,079,055	805,626	254,069	(689,612)	2,184,407
13,882,165	14,093,235	15,156,612	16,992,701	21,583,237	27,670,515
9,969,438	6,871,809	7,504,000	7,968,395	14,500,601	20,141,156
1,866,437	801,206	1,464,577	3,872,015	2,693,767	1,642,881
2,599,648	3,629,490	4,095,295	3,127,613	2,909,195	4,788,705
58,594,425	49,073,651	53,107,314	59,580,152	66,590,092	82,368,379
8,368,684	7,472,245	7,955,874	8,984,752	10,206,365	11,871,774
27,323,573	21,054,779	18,194,122	19,056,450	19,690,153	21,238,623
12,983,892	11,260,824	12,378,534	13,297,148	11,455,266	19,659,315
1,386,595	1,810,909	1,761,458	1,451,193	1,260,874	1,519,797
875,000	2,806,240	2,861,240	2,916,240	3,056,085	12,647,407
-	-	-	-	-	-
10,382	7,950	5,450	4,380	5,582	7,120
50,948,126	44,412,947	43,156,678	45,710,163	45,674,325	66,944,036
5,277,993	2,293,404	2,615,561	5,485,370	8,762,409	16,646,984
56,226,119	46,706,351	45,772,239	51,195,533	54,436,734	83,591,020
2,368,306	2,367,300	7,335,075	8,384,619	12,153,358	(1,222,641)
7,067,580	7,240,886	8,546,770	14,714,714	6,801,628	10,841,059
(7,067,580)	(7,240,886)	(8,546,770)	(14,714,714)	(6,801,628)	(10,841,059)
-	-	-	-	-	4,484,430
210,707	17,677	175,683	18,301	61,812	22,725
-	1,563,517	-	-	30,636	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	44,497
-	-	-	-	182,697	375,162
210,707	1,581,194	175,683	18,301	275,145	4,926,814
-	(294,603)	-	-	-	-
-	-	-	-	-	-
-	(294,603)	-	-	-	-
-	(1,691,561)	-	-	-	-
\$ 2,579,013	\$ 1,962,330	\$ 7,510,758	\$ 8,402,920	\$ 12,428,503	\$ 3,704,173
4.4%	10.4%	10.7%	9.6%	9.5%	21.2%

CITY OF HESPERIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)

	City				Redevelopment Agency ¹				Total Direct Tax Rate
	Secured ²	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2014	4,323,310	153,406	(80,383)	4,396,333	-	-	-	-	0.179%
2015	4,568,877	153,174	(78,497)	4,643,554	-	-	-	-	0.179%
2016	4,927,737	163,458	(77,065)	5,014,130	-	-	-	-	0.179%
2017	5,180,485	149,700	(81,295)	5,248,890	-	-	-	-	0.179%
2018	5,533,957	144,454	(80,144)	5,598,267	-	-	-	-	0.179%
2019	5,868,323	141,232	(78,228)	5,931,327	-	-	-	-	0.179%
2020	6,315,030	147,333	(77,353)	6,385,010	-	-	-	-	0.179%
2021	6,685,478	195,487	(76,125)	6,804,840	-	-	-	-	0.179%
2022	7,105,755	199,301	(75,184)	7,229,872	-	-	-	-	0.179%
2023	7,898,838	175,516	(71,025)	8,003,329	-	-	-	-	0.179%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

1 - Redevelopment Agency was dissolved on February 1, 2012.

2 - Local Secured only; does not include Secured Utility

Source: San Bernardino County Assessor's Office

CITY OF HESPERIA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(RATE PER \$100 OF ASSESSED VALUE)
(LAST TEN FISCAL YEARS)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City Direct Rates:										
City basic rate	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Hesperia Fire Protection District	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153	0.153
Hesperia Water District	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010
Total City Direct Rate	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>
Overlapping Rates:										
County of San Bernardino	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142
ERAF	0.215	0.215	0.215	0.215	0.215	0.215	0.215	0.215	0.215	0.215
Flood Control	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022
County Free Library	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014
County Superintendent of Schools	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010
Victor Valley Community College	0.064	0.064	0.064	0.064	0.064	0.064	0.064	0.064	0.064	0.064
Hesperia Unified School District	0.295	0.295	0.295	0.295	0.295	0.295	0.295	0.295	0.295	0.295
CSA 60 - Victorville	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009
CSA 70 - County Wide	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
Hesperia Park District	0.043	0.043	0.043	0.043	0.043	0.043	0.043	0.043	0.043	0.043
Mojave Water Agency	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005
Total expenditures	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>

Note:

In 1978, California voters passed Proposition 13 which sets the property tax rate at 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within.

Source: County of San Bernardino Assessor's Office

**CITY OF HESPERIA
PRINCIPAL PROPERTY TAX PAYERS CURRENT
FISCAL YEAR AND NINE FISCAL YEARS AGO**

Taxpayer	2023		2014	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Exeter 8300 Caliente Land LLC	72,910,000	0.90%	-	0.00%
Kaiser	44,721,660	0.55%	-	0.00%
West Main Villas LLC	42,290,702	0.52%	-	0.00%
Exeter Hesperia Parcel 3 Land LLC	33,500,570	0.41%	-	0.00%
RIM Properties	32,236,615	0.40%	16,754,310	0.37%
Amargosa LLC	30,871,646	0.38%	-	0.00%
Hesperia Apartments LLC	30,579,210	0.38%	-	0.00%
Best Way Disposal Company, Inc.	29,553,700	0.37%	-	0.00%
Target Corporation	28,934,057	0.36%	24,390,912	0.54%
Walmart Stores, Inc.	28,769,576	0.36%	14,710,775	0.33%
WLPX Hesperia LLC.	-	0.00%	21,039,060	0.47%
Carl E. Ross Trust	-	0.00%	43,974,749	0.98%
Hesperia Venture I LLC.	-	0.00%	20,000,270	0.45%
Moradi Family Trust	-	0.00%	16,413,323	0.37%
Villas 154 LP	-	0.00%	16,406,661	0.37%
Dr. Prem Family Foundation	-	0.00%	14,398,905	0.32%
Charter Communications	-	0.00%	12,824,047	0.29%
	<u>\$ 374,367,736</u>	4.63%	<u>\$ 200,913,012</u>	4.49%

Notes:

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: County of San Bernardino Assessor's Office

**CITY OF HESPERIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2014	4,312,226	4,073,475	94%	14,918	4,088,393	95%
2015	4,303,341	4,265,574	99%	37,767	4,303,341	100%
2016	4,466,513	4,300,003	96%	32,681	4,332,684	97%
2017	4,543,086	4,388,374	97%	120,577	4,508,952	99%
2018	4,429,662	4,183,822	94%	115,296	4,299,118	97%
2019	500,280	484,203	97%	17,295	501,498	100%
2020	919,877	896,493	97%	17,473	913,966	99%
2021	938,839	933,597	99%	5,242	938,839	100%
2022	961,018	956,899	100%	4,119	961,018	100%
2023	1,039,627	1,013,707	98%	-	1,013,707	98%

Note:

Beginning with Fiscal Year Ending June 30, 2019, the Taxes Levied and Collected amount represents amounts for the City of Hesperia, excluding the Hesperia Fire Protection District (Fire District). As of November 1, 2018, the San Bernardino County Fire Department (County Fire) annexed the Fire District operations. County Fire is responsible for providing all fire and ambulance related services in the City. All property tax collection payments are being remitted to County Fire.

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

The Total Collections to Date have decreased due to the Hesperia Community Redevelopment Agency being shut down by the State of California as of February 1, 2012.

Source: County of San Bernardino Auditor Controller's Office

**CITY OF HESPERIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities								Total Governmental Activities
	Tax Revenue	Tax Allocation	Certificates of	Lease Revenue		Notes Payable ³	Leases Payable ⁴	SBITAs Payable ⁵	
	Bonds	Bonds ^{1,3}	Participation	Bonds	Loans				
2014	5,235,000	-	-	38,553,388	150,000	-	-	-	43,938,388
2015	4,590,000	-	-	37,751,397	-	-	-	-	42,341,397
2016	-	-	-	36,964,406	-	-	-	-	36,964,406
2017	-	-	-	36,142,415	-	-	-	-	36,142,415
2018	-	-	-	35,275,424	18,762,403	-	-	-	54,037,827
2019	-	-	-	34,353,432	16,886,163	-	-	-	51,239,595
2020	-	-	-	33,376,440	15,009,923	-	-	-	48,386,363
2021	-	-	-	32,344,449	13,133,683	-	-	-	45,478,132
2022	-	-	-	31,257,458	11,257,442	-	97,853	-	42,612,753
2023	-	-	-	30,110,467	-	-	426,990	506,476	31,043,933

Notes:

Details regarding the City's outstanding debt can be found in the notes (Note 5) to the financial statements.

1 The RDA issued \$49.3 million of refunding bonds and new debt in 2005.

2 These ratios are calculated using personal income and population for the prior calendar year.

3 In 2012 the RDA dissolution caused the bonds and notes payable to go to the Successor Agency to the RDA, a private-purpose trust.

4 Leases Payable implemented FY 21-22.

5 SBITA tracking implemented for FY 2023.

Business-type Activities

Water Revenue Bonds	Certificates of Participation	Loans	Leases Payable ⁴	SBITAs Payable ⁵	Total Business-type Activities	Total Primary Governmental	Percentage of Personal Income ²	Debt Per Capita ²
11,135,786	760,000	-	-	-	11,895,786	55,834,174	3.91%	610
10,323,091	690,000	-	-	-	11,013,091	53,354,488	3.59%	579
9,475,396	615,000	-	-	-	10,090,396	47,054,802	2.87%	505
8,597,702	535,000	-	-	-	9,132,702	45,275,117	2.65%	486
7,198,457	-	2,133,704	-	-	9,332,161	63,369,988	3.61%	673
6,364,900	-	4,099,013	-	-	10,463,913	61,703,508	3.32%	640
5,496,343	-	6,060,574	-	-	11,556,917	59,943,280	3.00%	622
-	-	5,881,331	-	-	5,881,331	51,359,463	2.70%	535
-	-	5,705,509	38,585	-	5,744,094	48,356,847	2.32%	482
-	-	5,527,928	34,511	346,822	5,909,261	36,953,194	1.86%	369

CITY OF HESPERIA
RATIOS OF GENERAL BONDED DEBT
OUTSTANDING LAST TEN FISCAL YEARS
(IN THOUSANDS, EXCEPT PER CAPITA)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	Tax Allocation Bonds	Water General Obligation Bonds	Total Governmental Activities		
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2021	-	-	-	0.00%	-
2022	-	-	-	0.00%	-
2023	-	-	-	0.00%	-

General bonded debt is debt payable with governmental fund resources (of which, with the RDA dissolution, the City now has none; and general obligation bonds recorded in enterprise funds (of which the City now has none).

1 - Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

**CITY OF HESPERIA
DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2022**

	Total Debt 6/30/23	Percentage Applicable ⁽¹⁾	Net Bonded Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Overlapping debt			
Victor Valley Joint Community College District	150,661,664	20.229%	30,477,348
California Statewide Community Development Authority Assessment Districts	9,373,000	100.000%	9,373,000
City of Hesperia Community Facilities District No. 2005-1	14,245,000	100.000%	14,245,000
Total Overlapping Tax and Assessment Debt			<u>\$ 54,095,348</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Direct debt			
City of Hesperia Lease Revenue Bonds	30,230,000	100.000%	30,230,000
Net deferred amounts on bonds	(119,533)	100.000%	(119,533)
Leases	426,990	100.000%	426,990
SBITA's	506,476	100.000%	506,476
Sub-total Direct Debt			<u>31,043,933</u>
Overlapping debt			
San Bernardino County General Fund Obligations	160,860,000	2.780%	4,471,908
San Bernardino County Pension Obligations	62,960,000	2.780%	1,750,288
San Bernardino County Flood Control District General Fund Obligations	41,065,000	2.780%	1,141,607
Hesperia Unified School District General Fund Obligations	117,110,000	84.607%	99,083,258
Snowline Joint Union High School District General Fund Obligations	59,400,000	4.278%	2,541,132
Sub-total Overlapping Debt			<u>108,988,193</u>
Total Gross Direct And Overlapping General Fund Obligation Debt			<u>\$ 140,032,126</u>
<u>OVERLAPPING TAX INCREMENT DEBT</u>	364,374,925	3.340-100.000%	<u>\$ 99,183,454</u>
COMBINED TOTAL DEBT			<u>\$ 293,310,928</u> ⁽²⁾
Direct Debt			
General Fund Obligation Debt			<u>30,110,467</u>
Sub-total Direct Debt			<u>30,110,467</u>
Overlapping Debt			
Tax and Assessment Debt			54,095,348
General Fund Obligation Debt			108,988,193
Tax Increment Debt			<u>99,183,454</u>
Sub-total Overlapping Debt			<u>262,266,995</u>
COMBINED TOTAL DEBT			<u>\$ 292,377,462</u>

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.67%
Combined Direct Debt (\$30,230,000)	0.38%
Combined Total Debt	3.62%

Source: California Municipal Statistics, Inc.

**CITY OF HESPERIA
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2014	2015	2016	2017
Total assessed value of all real and personal property	\$ 4,396,333,389	\$ 4,643,554,000	\$ 5,014,130,000	\$ 5,248,890,000
Debt limit percentage (1)	15.00%	15.00%	15.00%	15.00%
Total debt limit	659,450,008	696,533,100	752,119,500	787,333,500
Amount of debt applicable to debt limit	5,235,000	4,590,000	-	-
Legal debt margin	\$ 654,215,008	\$ 691,943,100	\$ 752,119,500	\$ 787,333,500
Percent of Debt Limit Authorized	0.79%	0.66%	0.00%	0.00%

The Government Code of the State of California (§43605) provides for a debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel).

(1) Source: City of Hesperia, Management Services Department San Bernardino County Assessor's Office

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 5,598,267,000	\$ 5,931,327,000	\$ 6,385,010,000	\$ 6,804,840,000	\$ 7,305,056,000	\$ 8,074,354,000
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
839,740,050	889,699,050	957,751,500	1,020,726,000	1,095,758,400	1,211,153,100
-	-	-	-	-	-
\$ 839,740,050	\$ 889,699,050	\$ 957,751,500	\$ 1,020,726,000	\$ 1,095,758,400	\$ 1,211,153,100
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**CITY OF HESPERIA
PLEDGED-REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	20,793,648	17,119,879	3,673,769	790,000	596,150	2.65
2015	20,449,216	15,484,093	4,965,123	820,000	583,019	3.54
2016	19,834,467	16,248,062	3,586,405	855,000	574,939	2.51
2017	21,865,075	16,955,279	4,909,796	885,000	527,909	3.47
2018	30,154,408	17,276,595	12,877,813	1,410,000	493,293	6.77
2019	19,104,928	17,244,265	1,860,663	840,000	445,563	1.45
2020	20,894,556	14,930,769	5,963,787	875,000	383,965	4.74
2021	29,422,623	27,267,180	2,155,443	5,535,000	4,535	0.39
2022	33,682,120	23,948,826	9,733,294	-	-	-
2023	32,354,740	20,508,144	11,846,596	-	-	-

Note:

Details regarding the City's outstanding debt can be found in the notes to the financial statements (Note 5). Operating expenses do not include interest or depreciation expenses.

The Hesperia Water District's 1998 Lease Revenue Refunding Bonds were fully retired as of September 16, 2020 with a \$5.5 million principal payment.

Tax Allocation Bonds			
Tax Increment	Debt Service		Coverage
	Principal	Interest	
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

**CITY OF HESPERIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year	Population ⁽¹⁾	Effective Buying Income (in thousands)	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
2014	91,506	1,420,951	15,587	10.9%
2015	92,177	1,486,815	16,130	8.8%
2016	93,226	1,639,566	17,587	7.8%
2017	93,226	1,711,629	18,360	7.1%
2018	94,133	1,755,863	18,653	5.0%
2019	96,362	1,857,859	19,280	4.3%
2020	96,393	1,998,612	20,734	11.7%
2021	96,053	1,902,618	19,808	8.6%
2022	100,324	2,109,412	21,026	5.1%
2023	100,041	2,391,680	23,907	6.8%

Sources:

(1) State Department of Finance.

(2) US Census Bureau

(3) State of California Employment Development Department .

**CITY OF HESPERIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE FISCAL YEARS AGO**

	2023		2014
	Number Of	Percent of Total	Number Of
	<u>Employees</u>	<u>Employment</u>	<u>Employees</u>
Hesperia Unified School District*	2,974	7.91%	2,004
County of San Bernardino	423	1.13%	501
Walmart Supercenter**	425	1.13%	310
Stater Brothers Markets (3 locations)	338	0.90%	365
Super Target	275	0.73%	196
Arizona Pipeline Company	175	0.47%	156
City of Hesperia	192.85	0.51%	183
In-N-Out (2 locations)	188	0.50%	116
Robar Enterprises, Inc.	120	0.32%	165
Hesperia Recreation & Park District	111	0.30%	170
St. Mary High Desert	170	0.45%	170
Total Top Employers	<u>5,392</u>	<u>14.34%</u>	<u>4,336</u>
Total City Employment (1)	37,600		

Source: Avenue Insights & Analytics

* Count includes FTE, PTE and Substitutes.

** Includes Full-time and Part-time employees.

*** For Fiscal Year Ended June 30, 2019, amount represents employees for the City of Hesperia, excluding the Hesperia Fire Protection District (Fire District). As of November 1, 2018, the San Bernardino County Fire Department (County Fire) annexed the Fire District operations. All former Fire District employees are retained as a part of County Fire.

(1) Total City Labor Force provided by EDD Labor Force Data.

**CITY OF HESPERIA
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION
(LAST TEN FISCAL YEARS)**

Function	Full-time and Part-time Employees as of June 30, 2023									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	37.86	36.86	36.86	34.74	35.74	35.56	35.54	33.59	37.19	39.73
Public safety										
Police ¹	73.00	73.00	77.00	78.00	78.00	78.00	72.00	75.00	75.00	77.00
Fire ²	66.73	67.60	58.75	58.83	58.81	0.00	0.00	0.00	0.00	0.00
Development services										
Community Development	15.95	14.76	15.68	15.38	16.38	16.42	16.42	14.86	15.72	15.25
Code Compliance	23.78	23.92	23.92	25.28	25.74	25.74	25.74	24.74	29.79	38.17
Public works	34.36	33.66	34.36	35.30	35.76	35.26	34.64	33.03	23.23	26.74
Water	69.23	67.98	68.58	65.84	66.30	61.21	61.88	60.15	57.60	63.56
Wastewater	4.50	4.50	5.20	5.20	5.20	9.39	9.44	9.53	9.37	9.40
Total	<u>325.41</u>	<u>322.28</u>	<u>320.35</u>	<u>318.57</u>	<u>321.93</u>	<u>261.58</u>	<u>255.66</u>	<u>250.90</u>	<u>247.90</u>	<u>269.85</u>

1 - Police services are provided through a contract with the San Bernardino County Sheriff.

2 - As of November 1, 2018, the San Bernardino County Fire Department (County Fire) operations. County Fire is now responsible for providing all fire and ambulance related emergency services.

Source: City of Hesperia Management Services Department

**CITY OF HESPERIA
OPERATING INDICATORS
BY FUNCTION
(LAST TEN FISCAL YEARS)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Arrests	2,988	2,774	2,575	2,779	2,679	2,633	2,341	2,432	2,188	2,143
Citations issued	3,688	2,755	3,205	3,216	3,724	4,113	3,812	3,824	3,230	2,748
Calls for service	61,729	84,868	85,685	85,656	86,975	87,677	84,906	84,977	83,979	83,530
Fire:										
Number of emergency calls	12,244	13,457	10,619	19,960	20,280	N/A	N/A	N/A	N/A	N/A
Inspections	545	578	623	583	979	N/A	N/A	N/A	N/A	N/A
Public works:										
Street resurfacing (miles)	1.9	3.4	1.6	3.8	4.6	2.7	1.5	1.5	2.0	3.7
Potholes filled	19,086	21,945	24,583	28,000	22,128	32,358	33,500	17,000	30,000	40,000
Water:										
New connections	55	60	110	135	240	215	160	274	168	100
Average daily consumption (thousands of gallons)	12,035	11,695	10,090	10,832	11,283	10,802	10,621	11,578	11,326	10,566
Old steel waterlines replaced ¹ (miles of pipeline)	4.5	3.6	5.0	5.0	4.8	1.4	1.0	-	-	-
Sewer: ²										
Wastewater lines cleaned (mi.)	38	63	38	62	17	53	41	33	44	20
Manholes maintained	722	1,115	736	1,200	275	1,091	951	647	837	350

1 - The Water District is replacing old steel water lines, put into service 50 years ago, with larger PVC water lines.

2 - Sewer service to the City is provided by Victor Valley Wastewater Reclamation Authority. The City has no treatment facilities. Most of the City residents are on septic tanks.

Source: City of Hesperia Management Services Department

**CITY OF HESPERIA
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	4	4	4	4	3	3	3	3	3	3
Public works:										
Streets (miles)	545.0	545.0	545.0	549.0	549.0	550.6	550.6	550.6	525.0	525.0
Traffic Signals	26	26	26	27	27	27	27	27	27	27
Water:										
Water mains (miles)	574.0	574.0	574.0	589.0	589.0	591.0	592.0	592.0	616.0	616.0
Maximum daily demand (millions of gallons)	24.4	21.1	21.5	21.8	20.8	22.1	18.5	19.5	19.4	17.8
Old steel waterlines replaced ¹ (miles of pipeline)	4.5	3.6	5.0	5.0	4.8	1.4	1.0	-	-	-
Sewer: ²										
Sanitary sewers (miles)	115	115	128	128	128	129	129	130	138	138
Average Daily Demand (millions of gallons)	2.03	1.63	1.50	1.89	1.76	1.94	2.00	2.09	2.21	2.22

1 - The Water District is replacing old steel water lines, put into service 50 years ago, with larger PVC water lines.

2 - Sewer service to the City is provided by Victor Valley Wastewater Reclamation Authority. The City has no treatment facilities. Most of the City residents are on septic tanks.

Source: City of Hesperia Departments

CITY OF HESPERIA
WATER SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS
(IN MILLION OF GALLONS)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Type of Customer:										
Residential	3,785.6	3,690.3	3,156.6	3,364.0	3,521.3	3,375.0	3,332.7	3,671.0	3,557.4	3,262.1
Industrial	5.4	4.3	2.9	3.2	-	-	-	-	-	-
Commercial	296.9	268.7	274.2	288.5	294.5	286.7	269.1	274.5	289.1	263.6
Government	304.8	305.2	249.3	297.9	302.5	281.2	275.0	280.4	287.6	247.9
Reclaimed Water	-	-	-	-	-	-	-	-	-	83.1
Total	4,392.7	4,268.5	3,683.0	3,953.6	4,118.3	3,942.9	3,876.8	4,225.9	4,134.1	3,856.7

Note: Total direct rate is not applicable as the water district uses a tiered rate approach for billing consumed water.

Source: Hesperia Water District

**CITY OF HESPERIA
WATER RATES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers			
		Rate Per	Rate Per	Rate Per	Rate Per
		0 - 10 HCF	11 - 40 HCF	41 - 80 HCF	Over 80 HCF
2014	39.27	0.90	1.55	1.88	2.24
2015	39.27	0.90	1.55	1.88	2.24
2016	39.27	0.90	1.55	1.88	2.24
2017	39.27	0.90	1.55	1.88	2.24
2018*	39.27	0.90	1.55	1.88	2.24 (for the period of July 1 - Dec 31)

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers			
		Rate Per	Rate Per	Rate Per	
		0-14 HCF	14-35 HCF	Over 35 HCF	
2018*	\$ 46.09	\$ 0.92	\$ 1.65	\$ 2.24	(for the period of Jan 1 - Jun 30)
2019	\$ 46.09	\$ 0.92	\$ 1.65	\$ 2.24	(for the period of July 1 - Nov 30)
2019	\$ 50.24	\$ 1.00	\$ 1.80	\$ 2.44	(for the period of Jan 1 - Jun 30)
2020	\$ 50.24	\$ 1.00	\$ 1.80	\$ 2.44	(for the period of July 1 - Nov 30)
2020	\$ 54.76	\$ 1.09	\$ 1.96	\$ 2.66	(for the period of Jan 1 - Jun 30)
2021	\$ 54.76	\$ 1.09	\$ 1.96	\$ 2.66	(for the period of July 1 - Nov 30)
2021	\$ 59.69	\$ 1.19	\$ 2.14	\$ 2.90	(for the period of Jan 1 - Jun 30)
2022	\$ 63.09	\$ 1.30	\$ 2.07	\$ 2.69	(for the period of Jan 1 - Jun 30)
2023	\$ 63.09	\$ 1.30	\$ 2.07	\$ 2.69	(for the period of Jan 1 - Jun 30)

Notes:

Rates based on 5/8" and 3/4" meter, which are the standard household meter size.

HCF - Hundred Cubit Feet or approximately 748 gallons.

*Rate structure and individual rates changed as of January 1, 2018.

Source: Hesperia Water District

**CITY OF HESPERIA
WATER CUSTOMERS
CURRENT YEAR AND NINE FISCAL YEARS AGO**

	2023		2014	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
HESPERIA UNIFIED SCHOOL DISTRICT	\$ 511,480	40.91%	\$ 439,124	4.49%
HESPERIA PARK & REC	205,739	16.46%	79,612	0.81%
RIM PROPERTIES	82,978	6.64%	-	0.00%
SPRING STREET ASSOCIATES LP	42,383	3.39%	105,053	1.07%
HESPERIA APARTMENTS LLC	39,174	3.13%	-	0.00%
KDF HESPERIA	35,592	2.85%	90,569	0.93%
HESPERIA COMMUNITY CHURCH	35,196	2.82%	-	0.00%
SAN REMO HESPERIA LTD	23,789	1.90%	49,041	0.50%
MESA LINDA APARTMENTS	23,776	1.90%	-	0.00%
WILLOW OAKS PARK LLC	20,873	1.67%	88,610	0.91%
THE VILLAS AT HESPERIA LP	20,039	1.60%	52,148	0.53%
CWP CALIFORNIA CORP	19,946	1.60%	-	0.00%
SANTA FE APARTMENTS	16,610	1.33%	45,727	0.47%
THREE PALMS APARTMENTS LP	16,098	1.29%	51,520	0.53%
WALMART	14,035	1.12%	-	0.00%
SAGE MOBILE ESTATES	12,530	1.00%	39,752	0.41%
CEMX	-	0.00%	28,830	0.29%
FOREMOST HEALTH CARE CENTER	-	0.00%	23,814	0.24%
RIVERSIDE CONSTRUCTION CO.	-	0.00%	20,871	0.21%
SECURITY PAVING COMPANY, INC.	-	0.00%	55,121	0.56%

Source: Hesperia Water District

