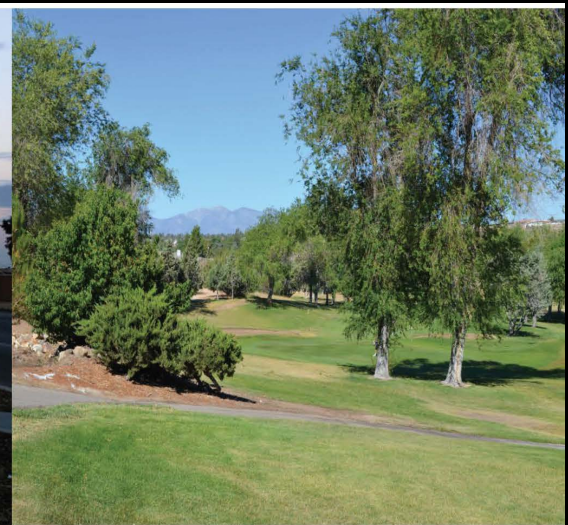
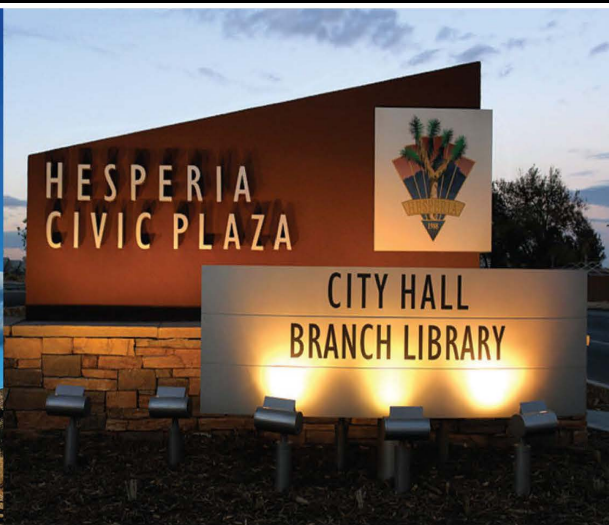




City of Hesperia

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020



9700 Seventh Avenue, Hesperia, CA 92345 . www.cityofhesperia.us . 760-947-1000

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CITY OF HESPERIA CALIFORNIA

Cameron Gregg, Mayor

Brigit Bennington, Mayor Pro Tem

Larry Bird, Council Member

William J. Holland, Council Member

Rebekah Swanson, Council Member

(At Date of Issuance)

Nils Bentsen, City Manager

1988

PREPARED BY THE CITY OF HESPERIA MANAGEMENT SERVICES DEPARTMENT

Casey Brooksher, Director of Finance

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
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City of Hesperia

CALIFORNIA

January 28, 2021

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 Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2020. This report provides a broad view of the City's financial activities for the 2019-20 Fiscal Year and its financial position as of June 30, 2020. 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 CAFR 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, 2019 CAFR. 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, 2020 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, 2020 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 96,400 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, with the general municipal election held in November 2018, Hesperia began implementation of a by-district system of elections, whereby each Council Member represents one district or area within the City. Most recently, on November 3, 2020, the City held an election for City Council seats in districts 1, 4, & 5. 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 169 full-time employees (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 55 sworn officers and 17 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.

Beginning 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.

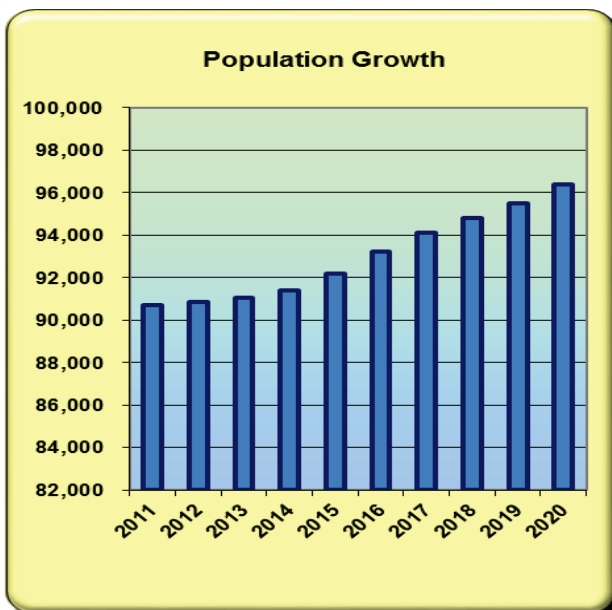
The City's budget policy is that all appropriations lapse at fiscal year-end. Outstanding encumbrance balances at fiscal year-end require re-approval by the City Council. The City Council may amend the budget at any time during the fiscal year. The City Manager may authorize budget transfers between 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 changes 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

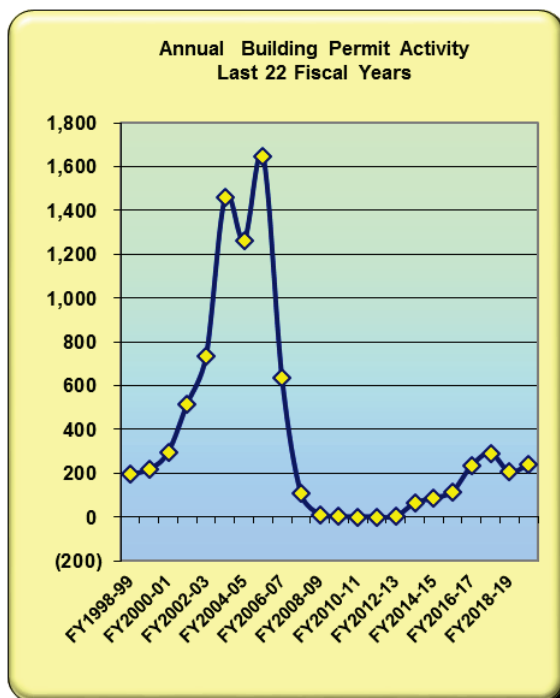
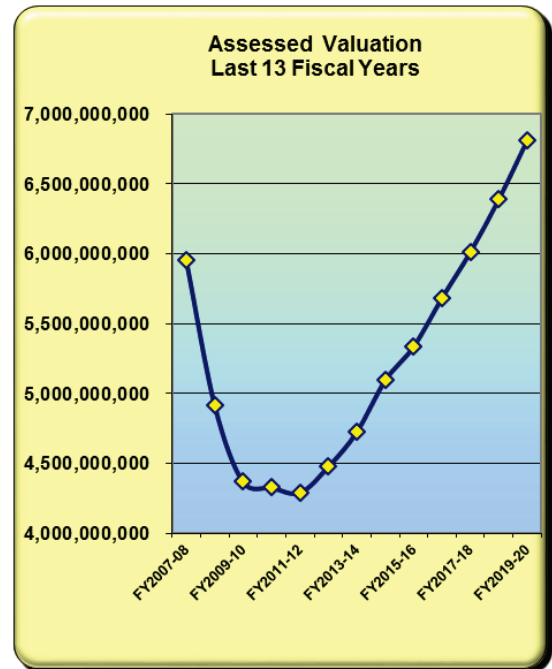
The City of Hesperia is located in the northern region of the Inland Empire, an area of Southern California with affordable undeveloped land among multiple transportation corridors. Situated at the summit of the Cajon Pass and within the interconnection of Interstate 15 and U.S. Highway 395, Hesperia off 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 96,400 residents. Current and projected growth in Hesperia provides the City with a large and expanding workforce. Over the last ten years, Hesperia has experienced moderate growth in its population, growing approximately 6.6%. This 10-year growth is slightly higher than that of the county at 6.5%, state 6.3%, and the nation at 5.9% for the same time period. Hesperia's 6.6% population growth over the last decade is in addition to the substantial growth Hesperia experienced over the previous decade of 37.6%. Over the last few years, however, Hesperia's growth trend has significantly slowed, with the most recent year increasing by slightly less than one percent.

Prior to the effects of the Covid-19 Pandemic, which will be further discussed later in this letter, the demographics of Hesperia reflected a strong and growing ability to meet the workforce demands of employers. However, a large portion of the labor pool commuted daily into the Los Angeles basin due to the lack of available employment in the High Desert. 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, and the ongoing pandemic has only exacerbated this issue. According to data released by the California Employment Development Department (EDD), due to the impacts of the pandemic, the City of Hesperia's unemployment rate in November 2020 rose to 9.9%. This is significantly higher than the 4.5% rate reported the same time last year. Hesperia's 9.9% unemployment rate is also higher than the overall 8.0% rate experienced within San Bernardino County, the 7.9% rate for the State, and 6.7% rate for the nation.

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 and after the Great Recession of 2008. After the housing boom of the mid 2000's, values began free-falling in 2008. The City experienced four years of successive declines in assessed valuation, amounting to an overall deterioration of 28%. In the eight years following the 2012 bottom, however, assessed valuation has steadily increased. This is supported by newly released data from the San Bernardino County's Assessor's Office which reflects a 6.6% increase in Hesperia's assessed valuation for 2020. With this most recent announcement, the City's \$6.8 billion assessed valuation well surpasses the pre-recession high last seen in 2008 by 14%, 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.

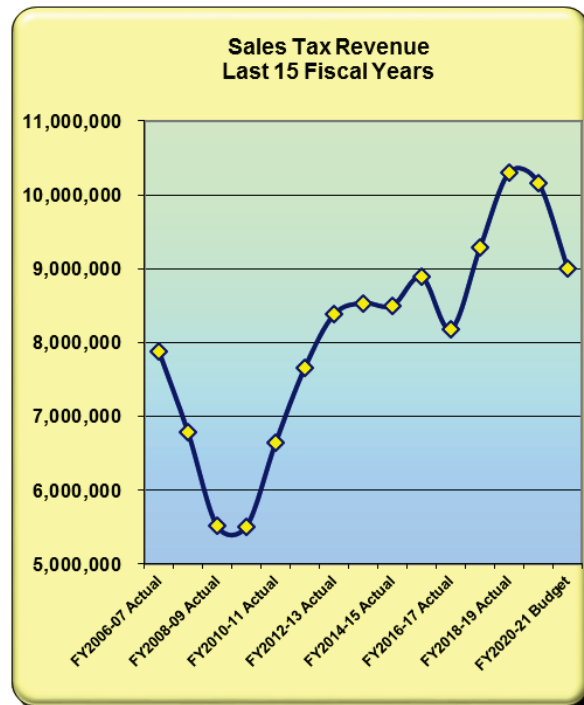


Although slow, single family residential (SFR) building permit activity within the City has returned to pre-housing boom/recession levels. The chart to the left shows the significant increase in building permit activity that occurred during the housing boom of the early to mid-2000's, which peaked in FY 2005-06 at 1,645 permits, followed by the dramatic plunge that resulted in few to no permits issued during the seven years that followed. Within the last four fiscal years, however, the City has returned to the levels seen prior to the boom/recession, with 239 permits issued in FY 2019-20 and 205, 291, and 234 issued in the respective preceding three years. Despite these improvements, the High Desert residential housing sector still faces challenges from unemployment rates that remain persistently higher than the national, state, and county rates, and are further exacerbated by the ongoing pandemic, which will continue to be a challenge for the City of Hesperia.

Commercial development activity, similar to residential development, acts as a barometer of local economic conditions. Commercial development activity over the last year was more robust the level experienced in the prior fiscal year, with the addition of 245,709 square feet of commercial construction in FY 2019-20, compared to the previous year's 159,071 added square footage. During FY 2019-20, the City welcomed the additional square footage provided from such projects as Kaiser Permanente medical offices, AutoZone, Planet Fitness, the addition of two gas stations, and Aldi supermarket, most of which occurred prior to the surge in the pandemic. As a reflection of the slowed commercial activity due to the pandemic, through October 2020 only 6,477 of additional commercial square footage for an apartment laundry facility has been added. This is a dramatic decrease from the 139,560 in commercial square footage that was added through October 2019, an indication that most commercial projects will continue to be paused until the pandemic is under control.

As displayed in the chart to the right, Hesperia has seen a significant improvement in sales tax revenue in the years that followed the Great Recession. Through FY 2019-20, the City experienced an increase in sales tax revenue of 29% from its pre-recession high of \$7.9 million in FY 2006-07 to \$10.2 million in FY 2019-20.

Historically, sales tax has been the City's largest revenue source, however, with the onset of the Covid-19 pandemic that ranking is somewhat uncertain. Prior to the Covid-19 crisis, the City's sales tax consultant forecasted a FY 2019-20 Revised estimate of \$10.5 million and a FY 2020-21 Budget estimate of \$10.7 million. However, due to the projected impacts of Covid-19 on consumer spending resulting from the state-mandated closures or restrictions on businesses, the FY 2020-21 Budget has been projected at \$9 million. The reduced revenue projection is also the result of a reduction gasoline prices, as fuel is the largest sales tax producing sector for the City.



Fiscal Year 2019-20 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, 2020, despite the difficulties brought about by the Covid-19 pandemic, 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 2020-21 Budget was adopted with the equivalent of 2.2 months of General Fund expenditures held as cash reserves.
- ❖ The Hesperia City Council provided an additional \$3.6 million of funding within Fiscal Year 2019-20 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.

- ❖ To advance the City Council's Financial Health Priority, the City's Reserve Policy was updated to require a minimum of two (2) months of the annual expenditures to be held in cash, as recommended by the Governmental Finance Officers' Association (GFOA). The specific purpose of the reserves is to provide funding to meet operational appropriation requirements in the event of shortfalls in the level of anticipated revenues or unanticipated expenses.
 - ❖ Prior to the onset of the Pandemic, the City hosted its 14th annual Youth in Government Day event for 23 high school seniors with department operation presentations, City facility tours, questions and answers with the Mayor, and a mock City Council meeting.
 - ❖ Water conservation continues to be an important issue for California cities. In order to best utilize our water resources, the City of Hesperia worked with Victor Valley Wastewater Reclamation Authority to bring a subregional recycled water facility to the community capable of delivering tertiary treated water to recycled water customers in Hesperia. The Civic Center, as well as some parks and schools, have been fitted with purple pipe in order to take advantage of this resource. The Water District secured a \$2 million Proposition 84 Drought Relief Grant, as well as a \$4.7 million Proposition 1 Grant and a low interest loan through the California State Revolving Fund (SRF) Loan program to construct a storage reservoir, pump, boost station, and approximately 9 miles of pipeline that will be used to transport recycled water to purple pipe locations such as the golf course, local schools, and parks. This will serve two important purposes; 1) reduce the flow of wastewater to the treatment plant and 2) lessen the demand on potable water for landscape irrigation purposes, thereby saving financial resources as well as precious water resources. Construction of the project was completed during FY 2019-20.
- 
- ❖ For the 18th consecutive year, the City has earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2019.
 - ❖ During FY 2019-20, the City transitioned to an online process for the submission of employment applications for City positions.
 - ❖ Due in large part to a Mobile Source Emission Reduction Grant via the Mojave Desert Air Quality Management District, real-time adaptive traffic signal controllers have been installed at intersections along the Main Street corridor. These signal controllers utilize the latest technology to adjust signal timing based upon existing traffic at and approaching the intersection. Communication equipment has also been installed, allowing the controllers to communicate with each other along the corridor, resulting in the efficient movement of traffic through the corridor. Phase I of this project installed real-time adaptive signal controller technology at eight intersections along the Main Street corridor from "I" Avenue to Eleventh Avenue, improving east/west travel. Phase II of the project installed the same type of system at an additional eight intersections from Escondido Avenue to Mesa Linda Avenue, and the project was completed during FY 2019-20.
 - ❖ Retail development in FY 2019-20:
 - Culichi Town, specializing in Sinaloa style, Asian fusion dishes opened their 6,000 square foot (SF) restaurant in September 2019.
 - The Chop Shop and Bath & Body Works opened stores in the High Desert Gateway shopping center.
 - DD's Discount opened their 18,000 SF store at Main Street and 9th Avenue.
 - Kahoots Pet Store opened their 15,000 SF pet supply store located at Main Street and Maple Avenue, which is the second store in Hesperia.
 - Mag Bay Yachts opened their 78,000 SF boat manufacturing facility.

Subsequent Goals, Efforts, and Actions

- ❖ The Hesperia City Council provided an additional \$1.6 million of funding within the Fiscal Year 2020-21 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 twenty years, this program has reconstructed over 319 miles of roads and 98 miles of slurry sealed roads, amounting to over \$84.9 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 2020-21 by approximately \$709,500, or 4% 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.
- ❖ To promote the City Council's Future Development Priority, the implementation of a Pavement Management System has been included as a goal for FY 2020-21. This project includes a street assessment program to evaluate and rate the City-wide street infrastructure to determine the specific streets in most need of rehabilitation. This will enable the City to prepare a plan to focus funding on the streets most in need of repair, with the ultimate goal of augmenting reliable City infrastructure in order to foster future growth.
- ❖ Funding in the amount of \$219,000 has been included in the FY 2020-21 Budget to update the City's Information Technology (IT) server and storage infrastructure.
- ❖ 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 Ranchero Road from two and four lanes in areas 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 is scheduled to begin during Fiscal Year 2020-21. 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 provide an alternate payment option for water/sewer utility customers, an Interactive Voice Response (IVR) system is scheduled to be implemented during FY 2020-21.
- ❖ The City received \$238,146 from Caltrans Sustainable Transportation Planning Grant for the I Avenue Corridor Enhancement Study, funding an engineering study that will determine opportunities to provide increased capacity and improved safety conditions for both motorists and non-motorist users of the corridor. With an anticipated completion in February 2021, the study will provide the City with a comprehensive analysis of safety concerns, travel patterns, and infrastructure needs.
- ❖ Funding in the amount of \$75,000 has been included in the FY 2020-21 Budget for the completion of an Urban Water Management Plan.



- ❖ To achieve a savings of Water District debt financing costs, a plan will be developed for the early retirement of the Water District 1998A Bonds.
- ❖ An expansion of the Park and Ride facility on Joshua Street at Highway 395, which was awarded \$782,000 in grant funding, is slated for construction in FY 2020-21.
- ❖ High Desert residents are now able to utilize long-anticipated medical services provided by Kaiser Permanente, with the addition of a 54,000 square foot medical campus on 9.9 gross acres that opened in December 2020.
- ❖ Retail development continues in Hesperia for FY 2020-21:
 - Mama Carpino's, a foodie favorite of many residents in the High Desert, will bring a great culinary option to Hesperia with a view of Civic Plaza Park. The grand opening of their 10,000 SF, 230 seat restaurant is scheduled for 2021, and will create 60 new jobs in Hesperia.
 - Bear Valley Commerce center, a 36,000 SF medical office center and two restaurants is under construction.
 - Southland Pipe has broken ground on their pipe manufacturing business, which will create 42 new jobs.

Short-Term Outlook

Impacts of Covid 19 Pandemic – At the beginning of the calendar year 2020, Hesperia's Mid-year Budget presentation had identified revenues exceeding projections and reflected a generally positive financial outlook, which aligned with the careful planning that had been done in the preparation for the FY 2019-20 spending plan. The pandemic began in earnest in our region after the Mid-year Budget review in February 2020, at the start of the preparation process for the FY 2020-21 Operating Budget. Projected impacts to the City from the government-mandated closures of businesses were analyzed, including how the loss of fuel related revenue from sales tax (as fuel is the largest sales tax producing sector for the City) and gas tax revenue would impact the City's budget.

As a result of projected declines in revenue, the FY 2020-21 Budget included budgetary and service-level reductions across all funds. These reductions include a 10% furlough of all non-represented employees with a reduced 36-hour work-week. However, despite the furloughs, the City's operational hours have remained the same throughout the pandemic in order to respond to the needs of Hesperia residents and businesses. To do so safely, efforts have been made to increase the acceptance of remote options to conduct business with the City. For instance, the City encourages the payment of water/sewer bills through its online portal and making requests for service online. To provide additional payment options for water and sewer customers, an interactive voice response (IVR) system is scheduled for implementation, and a process that will allow customers to submit building plans electronically is scheduled for implementation in FY 2020-21 as well.

The long term financial implications of the pandemic are unclear. At the time of this writing, virus cases continue to surge, and San Bernardino County continues to be in the worst tier of cases and hospitalizations, which has put such a strain hospital resources that U.S. Army and U.S. Air Force personnel have been called in to augment personnel and support hospitals. The recent holiday surge, combined with a more transmissible variant of the virus circulating in San Bernardino County, has resulted in the extension of closures, which will continue to delay the ability to resume business and restart economic expansion. Until vaccine distribution is fully available and accepted community-wide, the continued economic uncertainty resulting from the pandemic reinforces the fiscal prudence of the City's actions to reduce personnel costs in the FY 2020-21 Budget in order to help preserve the financial health of the City.

Major Initiatives

Capital Improvement Program – On June 16, 2020, the City’s FY 2020-21 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 2020-21 CIP program includes funding in the amount of \$24,064,686 for much needed projects in the following categories:

Streets CIP Projects	\$	17,226,710
Storm Drain Projects		1,392,760
Facilities Projects		790,216
Water Projects		2,235,000
Sewer Projects		2,420,000
Total CIP Projects	\$	24,064,686

As with most cities, street improvement projects are of significant importance to the City of Hesperia. Over the past 21 years, the City has dedicated funds to its Annual Street Improvement Program totaling \$86,485,716 and paving over 320 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 2020-21, \$1.6 million has been allocated for the effort.

Additional street improvement projects totaling \$15.6 million are also included in the FY 2020-21 Budget to address infrastructure needs such as: \$8.5 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; \$1.2 million in traffic signal installation projects; and \$5.9 million in other street projects of significant importance to the City.

Storm Drain CIP projects amounting to \$1.4 million are included FY 2020-21 Budget for progress needed on a retention basin and a drainage channel. A Park and Ride facility has also been included for \$0.8 million, as well as Water and Sewer projects amounting to \$3.7 million for the Interstate 15 infrastructure project, as well as nearly \$1.0 million for additional water and sewer improvements.

Early Retirement and Redemption of Hesperia Public Financing Authority (HPFA) 1998A Variable Rate Lease Revenue Refunding Bonds – On July 2, 1998 the Hesperia Water District (District) caused the HPFA to issue the 1998A HPFA Variable Rate Lease Revenue Refunding Bonds (1998A Bonds), which financed improvements to the water system. As a variable rate debt issue, the 1998A Bonds require the credit enhancement provided through a letter of credit, and are secured by a pledge of the net revenues from the Water District’s combined water/sewer enterprise.

To mitigate potential interest rate risk associated with variable rate financings, in 2004 the Water District entered into an interest rate swap agreement in order to limit the Water District’s exposure to potential interest rate fluctuations. As a result of the swap agreement, the Water District placed a collateral cash deposit of \$1,880,000 that was held in an interest bearing account during the term of the swap, which concluded on June 1, 2020, and the collateral deposit was returned to the Water District.

For as long as the 1998A Bonds are outstanding, they are required to be supported by a letter of credit, the term of which was set for renewal/replacement in November 2021, and would potentially require an additional renewal in 2024, through the June 1, 2026 maturity date of the bonds. Other annual expenses incurred by the Water District for the 1998A Bonds include remarketing agent fees (as the variable rate bonds are remarketed on a weekly basis), bond administration trustee

costs, draw fees related to the letter of credit, as well as interest accruing on the bonds. The 1998A Bonds were able to be redeemed in full prior to their stated maturity date of June 1, 2026, at a redemption price equal to the principal amount of outstanding bonds of \$5,535,000 plus accrued interest.

With the conclusion of the swap agreement and the impending need to renew/replace the letter of credit to support the bonds, staff prepared an analysis to project the future costs of paying on the bonds through their stated maturity in 2026, along with an examination of available District cash reserves, in order to determine if an opportunity existed to retire the bonds early, which would achieve savings that would inure to the benefit of the Water District for the advancement of District goals. This analysis, performed during FY 2020-21, highlighted an opportunity to save approximately \$498,000 by using the recently returned \$1,880,000 collateral, combined with other District reserves, to retire the \$5,535,000 in bonds approximately 5 years early. This proposal was approved by the Water District Board on September 15, 2020 and, although it requires the upfront use of reserves to accomplish this goal, it results in a projected savings of \$498,000 over a 5-year period, which will free-up funds for use in needed District projects.

Financial Policies

Debt Management – Prudent financial management has placed the City in a better position to handle future unknowns with respect to shifts in the overall economy. For example, policies such as the Council's Debt Management Policy has placed the City in a better position to respond to the current economic uncertainties by reducing debt service costs on existing debt issues. Under this policy, debt obligations are evaluated annually to determine if opportunities exist to prepay outstanding principal, thereby lowering the overall cost of borrowing. The two most recent examples of reducing debt service costs are described below:

As described in the Major Initiatives section above, this annual review of debt obligations revealed an opportunity for the early retirement of the Water District 1998A Bonds, with a projected savings of \$498,000 over five years. Consistent with the Water District Board's approval, the bonds were retired in November 2020.

Another recent example of the City's annual analysis for opportunities to reduce principal is the 2018 refinance of its Successor Agency Bonds. Due to favorable market conditions, in September 2018 the City, as Successor to the Former Hesperia Community Redevelopment Agency, refinanced the Agency's former 2005 Tax Allocation bonds and 2007 Revenue bonds into Successor Agency 2018 Tax Allocation Refunding Bonds. The underlying fundamentals of these bonds enabled the refinancing to secure a rating of A+ from Standard and Poor's, reflecting the City's large tax base; strong growth in assessed values across the combined project area; and a diverse taxpayer base. The refinancing, which did not extend the term beyond that of the original indebtedness, achieved a \$19.0 million net present value savings translating into an average annual savings of \$2.2 million. The savings achieved with this refinancing resulted in additional pass-through revenue to taxing entities in the area, including an annual \$1.3 million to Hesperia Unified School District, \$300,000 to Victor Valley Community College, and \$60,000 to the City of Hesperia. In addition to the annual debt service savings, directly benefiting the underlying taxing entities, the refinancing also simplified the related administrative burden by converting three debt issues into one.

Additional information about the long-term debt of the City and its component units can be found in the notes to the financial statements.

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 2020-21 Budget.

To ensure adequate funding for law enforcement services, the City Council's Budgeting Policy further stipulates that the annual Police Department budget shall comprise 53% of the General

Fund operating expenditure budget (comprised of all expenditures less transfers out, debt service, and capital outlay). Should the Police Department budget exceed 53% of the General Fund operating budget, the City Manager is authorized by the City Council to negotiate with the County of San Bernardino Sheriff's Department to identify cost savings to maintain the City Council approved percentage. In addition, should the annual Police Department budget be less than 53% of the General Fund operating budget, the City Manager will be authorized to add an additional level of services, be that personnel, programs, or equipment.

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 2020-21 Budget was adopted with the equivalent of 2.2 months of General Fund expenditures held as cash reserves.

Awards and Acknowledgements

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hesperia for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019. This was the 18th consecutive year that the City has achieved the prestigious award. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a governmental entity and its management. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

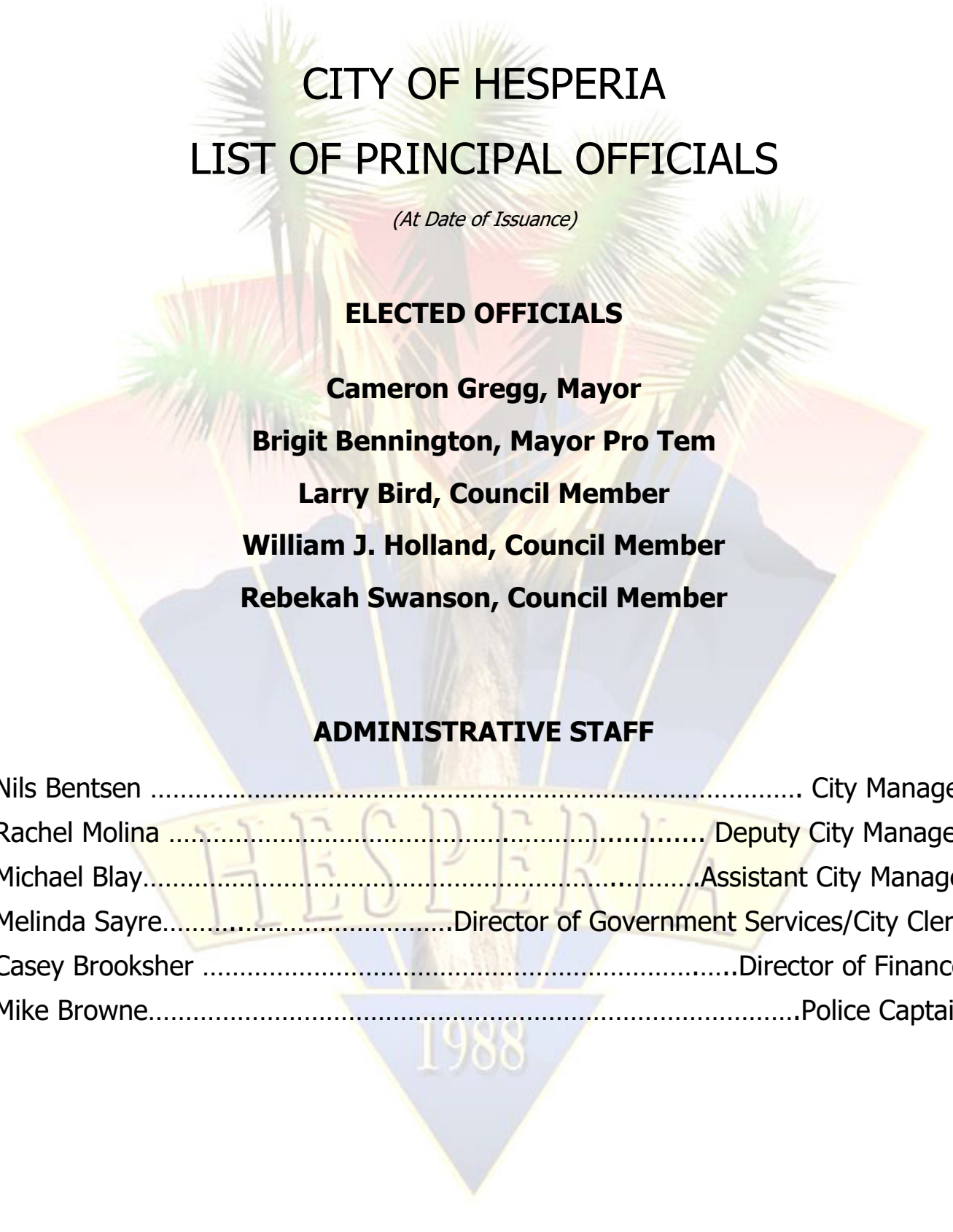
The preparation of this comprehensive annual financial report could not have been accomplished without the dedicated service of the Finance Division staff. Their efforts made it possible to prepare the comprehensive annual financial report, thereby improving the quality of the information being reported 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,



Casey Brooksher
Director of Finance





CITY OF HESPERIA

LIST OF PRINCIPAL OFFICIALS

(At Date of Issuance)

ELECTED OFFICIALS

Cameron Gregg, Mayor

Brigit Bennington, Mayor Pro Tem

Larry Bird, Council Member

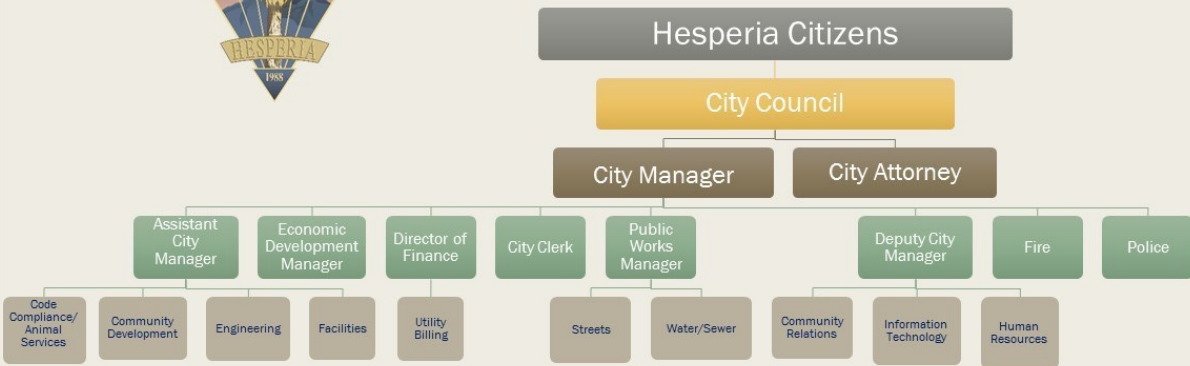
William J. Holland, Council Member

Rebekah Swanson, Council Member

ADMINISTRATIVE STAFF

Nils Bentsen	City Manager
Rachel Molina	Deputy City Manager
Michael Blay.....	Assistant City Manager
Melinda Sayre.....	Director of Government Services/City Clerk
Casey Brooksher	Director of Finance
Mike Browne.....	Police Captain

City of Hesperia Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hesperia
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO



**The Government Finance Officers Association of
the United States and Canada**

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Division
City of Hesperia, California



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the department or individual designated as instrumental in the government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Christopher P. Morill

Date: 8/28/2020



INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Hesperia
Hesperia, CA 92345

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 (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hesperia as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules for the General Fund and major Special Revenue Funds, the Schedule of Contributions-CalPERS Pension Plan, Schedule of Proportionate Share of the Net Pension Liability CalPERS Pension Plan, and the Schedule of Changes in Total OPEB Liability and Related Ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

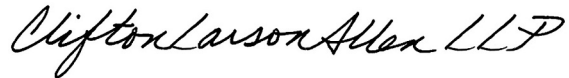
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining statements and individual funds schedule (supplementary information), and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of 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 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 City of Hesperia's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Carlsbad, California
January 28, 2021



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, 2020. 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, 2020, the City's (including governmental and business-type activities) assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$273.1 million (*net position*), which is \$6.0 million or 2.2% greater than the \$267.1 million total net position at June 30, 2019. One of the primary factors for this gain is increases of \$3.4 million and \$7.0 million to ongoing operations for both governmental activities and business-type activities. Business-type activities also experienced an increase of \$2.9 million in net position due to funds received for a Proposition 1 Grant from the State Water Resource Control Board.
- Capital assets related to Governmental activity decreased \$7.3 million during FY 2019-20. The decrease is primarily due to a net \$9.2 million increase in accumulated depreciation partially offset by a \$2.6 million increase in infrastructure from the completion of the annual street improvement and Hesperia Animal Control facility remodel projects.
- Current liabilities increased \$5.0 million to \$48.5 million from \$43.5 million for the period ending June 30, 2020. This is largely due in part to a \$3.3 million increase in accounts payable due to the timing of payments and a \$1.0 million increase in due from other government agencies. Other factors include a \$0.6 million increase in net pension liability, a \$0.5 million increase in unearned revenue, which are offset by a \$0.4 million decrease in funds due to bondholders.
- At June 30, 2020, the City's governmental funds reported combined fund balances of \$76.3 million, an increase of \$6.8 million or 9.8%, from \$69.5 million at June 30, 2019. Approximately 11.7% of the \$76.3 million combined fund balance (or \$8.9 million) is available for spending at the City's discretion (*unassigned fund balance*). One main reason for this increase is a combined \$2.8 million increase in General Fund taxes, fines, and administrative fees. Another main factor is a total \$4.0 million increase in developmental impact related revenue received under the fee structure beginning in FY 2018-19.
- As of June 30, 2020, unrestricted fund balance (the total of *assigned* and *unassigned* components of *fund balance*) for the General Fund was \$12.7 million, or approximately 39.8% 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.

The government-wide financial statements can be found on pages 18-21 of this report.

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 32 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, Fire District, Development Impact Fees-Streets, Development Impact-Public Services, Hesperia Housing Authority, and Community Development Commission which are considered major funds. Data from the other thirty (30) 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 basic governmental fund financial statements can be found on pages 22-34 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 pages 81-85 of 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.

The basic proprietary fund financial statements can be found on pages 30-34 of this report.

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.

The fiduciary fund financial statements can be found on pages 36-37 of this report.

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.

The notes to the financial statements can be found on pages 39-80 of this report.

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. Required supplementary information can be found on pages 81-92 of this report.

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. Combining and individual fund statements and schedules can be found on pages 98-151 of this report.

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.

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City. The current year saw a net position increase from \$267.1 million to \$273.1 million. This increase of \$6.0 million comes primarily from a \$13.3 million increase in net position from additional cash received through ongoing operations, grant activities, and tax revenue. Capital assets decreased by \$7.1 million due to the current year depreciation of assets, partially offset by the net increase from ongoing capital projects. Debt decreased by \$1.2 million due to scheduled annual debt service and loan payments offset partially by an additional \$2.0 million loan with the California State Water Resources Control Board for the construction of a reclaimed water pipeline distribution system. Other factors include a \$2.6 million increase in accounts payable and a \$2.0 million increase in net pension liability. Additionally, in FY 2019-20, the \$13.3 million Reclaimed Water Distribution System project was completed in which the reduction of construction in progress, and the corollary increase to infrastructure-water facilities.

A brief explanation for the balance change of Table 1 follows below. These explanations communicate the narrative behind the \$6.0 million increase in net position:

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 75,269,713	\$ 81,051,486	\$ 15,677,140	\$ 26,950,440	\$ 90,946,853	\$ 108,001,926
Capital assets	181,996,179	174,704,401	99,104,176	99,289,801	281,100,355	273,994,202
Total Assets	<u>257,265,892</u>	<u>255,755,887</u>	<u>114,781,316</u>	<u>126,240,241</u>	<u>372,047,208</u>	<u>381,996,128</u>
 Total deferred outflows of resources	 6,559,363	 6,368,277	 2,347,334	 2,097,299	 8,906,697	 8,465,576
 Current and other liabilities	 30,958,523	 31,247,873	 12,528,008	 17,329,789	 43,486,531	 48,577,662
Long-term debt outstanding	54,212,473	52,116,232	11,435,381	12,324,719	65,647,854	64,440,951
Total Liabilities	<u>85,170,996</u>	<u>83,364,105</u>	<u>23,963,389</u>	<u>29,654,508</u>	<u>109,134,385</u>	<u>113,018,613</u>
 Total deferred inflows of resources	 3,590,971	 3,276,622	 1,100,474	 1,069,905	 4,691,445	 4,346,527
 Net Position:						
Net investment in capital assets	147,642,747	141,327,961	88,640,263	88,150,623	236,283,010	229,478,584
Restricted	2,678,741	64,049,344	1,889,131	394,734	4,567,872	64,444,078
Unrestricted	24,741,800	(29,893,868)	1,535,394	9,067,770	26,277,194	(20,826,098)
Total Net Position	<u>\$ 175,063,288</u>	<u>\$ 175,483,437</u>	<u>\$ 92,064,788</u>	<u>\$ 97,613,127</u>	<u>\$ 267,128,076</u>	<u>\$ 273,096,564</u>

Current and other assets:

- Governmental current and other assets increased by \$5.8 million, or 7.7% from June 30, 2019. This increase was primarily due to the net of a \$3.4 million increase in cash and a \$2.4 million increase in funds due from other governments. Other contributing factors include a \$0.2 million increase in accounts receivable and a \$0.2 million decrease in land held for resale from the sale of two city-owned properties.
- Business-type current and other assets experienced an increase of \$11.3 million, or 71.9% during the fiscal year. The largest factor for the increase is the \$9.9 million increase in cash. This cash increase is due to a \$7.0 million increase in water and sewer operations and \$2.9

million received for a Proposition 1 Grant from the State Water Resource Control Board. There were additional increases of \$0.9 million in funds due from other government agencies due to the timing of grant related funds being received and a \$0.5 million increase in accounts receivable from the prior year.

Capital assets:

- Governmental capital assets decreased by 4.0% or \$7.3 million. This decrease is primarily due to the following: \$9.2 million net accumulated depreciation, \$0.3 million reduction to construction in progress from both completed projects and cancelled projects, and \$0.4 million reduction due to the elimination of outdated equipment. These decreases were partially offset by a \$2.7 million increase to infrastructure from the completion of capital projects.
- Business-type capital assets experienced an increase of \$0.2 million, net of depreciation. The factors that contributed to the increase include a \$3.5 million increase in construction in progress for ongoing projects, which is offset by a decrease of \$2.7 million due to the current year depreciation, a \$0.4 million decrease in the elimination of equipment and vehicles, and a \$0.2 million decrease in land improvements. Additionally, the \$13.3 million Reclaimed Water Distribution System project was completed in FY 2019-20 which caused the reduction of construction in progress, and an increase of \$13.3 million in infrastructure-water facilities.

Current and other liabilities:

- Governmental current and other liabilities increased by \$0.3 million or 0.9% when compared to June 30, 2019. The change is due to an increase of \$1.4 million the net pension liability and a \$0.4 million increase in net OPEB obligations. These increases in liabilities were mostly offset by a decrease of \$0.7 million in accounts payable due to the timing of payments, a \$0.7 million decrease to due to other governments for operations related to fire protection services, and a \$0.1 million decrease in accrued interest payable.
- Business-type current and other liabilities increased by \$4.8 million or 38.3% from the June 30, 2019 total of \$12.5 million. This increase is largely constituting \$3.3 million increase in accounts payable, which itself is to lease replenishment water rights; \$1.0 million increase in money owed for wastewater collection services; and \$0.6 million increase in net pension liabilities.

Long-term debt outstanding:

- Governmental long-term debt outstanding recorded a decrease of \$2.1 million from the June 30, 2019. This decrease is mainly attributable to the \$1.9 million debt service payment on the loan with the San Bernardino County Transportation Authority (SBCTA) for the Ranchero Road/I-15 Interchange Project. Additionally, a scheduled \$1.0 million debt payment was made on outstanding lease revenue bonds. Refer to Note 5 for complete detail of the City's debt service. These decreases in long-term debt were offset by a net \$0.7 million increase in claims payable and a \$0.1 million increase in compensated absences.
- Business-type long-term debt outstanding activity during the fiscal year resulted in a net increase of \$0.9 million from June 30, 2019. This increase is due to the recognition of the \$2.0 million loan from the California State Water Resources Control Board for the construction of a reclaimed water pipeline distribution system. This increase is offset by the \$0.9 million payment towards the Variable Rate Lease Revenue Refunding Bonds Series 1998A Bonds.

Net investment in capital assets:

- Governmental net investment in capital assets decreased by \$6.3 million or 4.3% during the fiscal year, which is primarily due to the net decrease in capital assets during the year ending June 30, 2020.
- Business-type net investment in capital assets decreased by \$0.8 million or 0.9%, from the year ended June 30, 2019, due in large part to the \$0.9 million net increase in long-term debt.

Restricted:

- Governmental restricted net position increased by \$61.4 million from the year ending June 30, 2019 balance of \$2.7 million due to a correction in how restricted net position is categorized. Net position amounts previously classified as unrestricted have been re-classified as amounts restricted for debt service, transportation, air quality, public safety, economic development, and other purposes.
- Business-type restricted net position decreased by \$1.5 million from the prior year due to changes in debt service.

Unrestricted net position:

- Governmental unrestricted net position decreased by \$54.6 million during the fiscal year due to the re-classification of unrestricted net position to a restricted net position. Other factors for the decrease in unrestricted net position include a \$3.4 million increase in cash position a \$1.9 million decrease in loans payable due to the payment made on the San Bernardino County Transportation Authority (SBCTA) loan.
- Business-type unrestricted net position increased by \$7.8 million. The largest contributor to the change is a \$11.3 million increase in cash position from ongoing operations and funds received for the Proposition 1 Grant. This was partially offset by increases of \$3.3 million in accounts receivable for water rights purchases and a \$1.0 million increase in funds due to other governments for wastewater collection.

As reflected in Table 2, the City's net position increased by \$6.0 million from the \$267.1 million of the prior fiscal year. The June 30, 2020 total Program Revenues increase by \$5.5 million. This change in total Program Revenues consists of an increase of \$2.2 million in Governmental Activities program and a \$3.3 million growth of business-type charges for services. Program revenue comprised 60.2% of total revenues and funded 64.8% of total expenses. During the fiscal year, expenses increased by \$2.1 million, or 2.8% from June 30, 2019. General government related expenses increased by \$0.8 million which is largely from funding ongoing operations at the Hesperia Golf Course. Public safety expenses decreased \$2.6 million largely due to the dissolution of the Hesperia Fire Protection District, with fire protection services being absorbed by San Bernardino County Fire. Development services related expenses increased by \$1.5 million partially due to the completion of the Animal Control Facility Remodel project. Water and wastewater expenses also experienced a net increase in expenses of \$2.3 million compared to June 30, 2019.

Table 2
Changes in Net Position

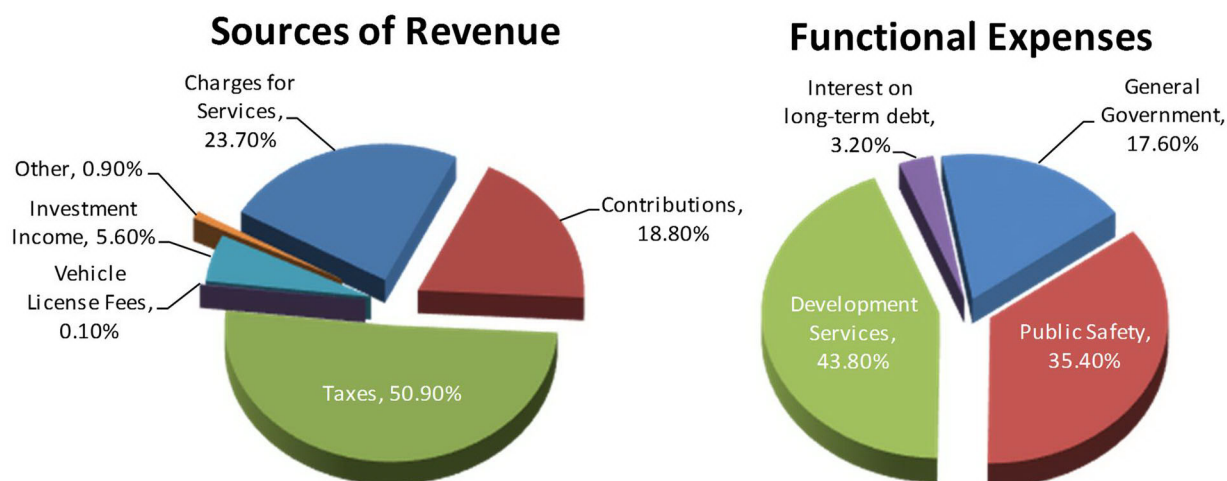
	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues						
Program revenues:						
Charges for services	\$ 11,559,717	\$ 12,646,906	\$ 22,856,640	\$ 24,946,043	\$ 34,416,357	\$ 37,592,949
Operating contributions and grants	8,850,246	9,958,227	1,689,083	2,896,118	10,539,329	12,854,345
Capital contributions and grants	16,827	44,515	-	-	16,827	44,515
Total program revenues	20,426,790	22,649,648	24,545,723	27,842,161	44,972,513	50,491,809
General revenues:						
Taxes:						
Property taxes	10,219,038	10,642,798	465,594	512,114	10,684,632	11,154,912
Other Taxes	37,686	290,022	-	-	37,686	290,022
Sales and use tax	10,305,375	10,969,697	-	-	10,305,375	10,969,697
Transient occupancy tax	1,399,842	1,389,038	-	-	1,399,842	1,389,038
Franchise tax	3,500,687	3,565,576	-	-	3,500,687	3,565,576
Document transfer tax	280,853	283,585	-	-	280,853	283,585
Motor vehicle in-lieu	45,518	76,266	-	-	45,518	76,266
Unrestricted investment earnings	2,969,540	2,975,216	260,854	227,763	3,230,394	3,202,979
System improvement and replacement	-	-	976,249	1,806,811	976,249	1,806,811
Insurance Proceeds	1,132,163	-	-	-	1,132,163	-
Gain on disposal of capital assets	17,320	-	11,938	-	29,258	-
Other	74,902	456,808	201,054	215,543	275,956	672,351
Total general revenues	29,982,924	30,649,006	1,915,689	2,762,231	31,898,613	33,411,237
Total revenues	50,409,714	53,298,654	26,461,412	30,604,392	76,871,126	83,903,046
Expenses						
General government	8,494,441	9,330,386	-	-	8,494,441	9,330,386
Public safety	21,296,961	18,719,485	-	-	21,296,961	18,719,485
Development services	21,632,184	23,152,577	-	-	21,632,184	23,152,577
Interest on long-term debt	1,574,360	1,676,057	-	-	1,574,360	1,676,057
Water	-	-	18,121,295	20,486,895	18,121,295	20,486,895
Wastewater	-	-	4,669,067	4,569,157	4,669,067	4,569,157
Total expenses	52,997,946	52,878,505	22,790,362	25,056,052	75,788,308	77,934,557
Excess (deficiency) before special item	(2,588,232)	420,149	3,671,050	5,548,340	1,082,818	5,968,489
Special item - transfer of fire operations to county	(7,945,330)	-	-	-	(7,945,330)	-
Net position at July 1	191,678,422	175,063,288	88,393,737	92,064,787	280,072,159	267,128,075
Prior Period Adjustment	(6,081,572)	-	-	-	(6,081,572)	-
Net position at July 1, as restated	185,596,850	175,063,288	88,393,737	92,064,787	273,990,587	267,128,075
Net position at June 30	\$ 175,063,288	\$ 175,483,437	\$ 92,064,787	\$ 97,613,127	\$ 267,128,075	\$ 273,096,564

GOVERNMENTAL ACTIVITIES

Fiscal Year 2019-20 program revenues increased \$2.2 million with increases of \$1.1 million in charges for services combined with a \$1.1 million rise in operating contributions and grant revenues. The cost of all governmental activities were \$52.9 million; however, as shown in Table 2, the amount that the taxpayers ultimately financed for these activities was \$30.2 million (\$52.9 million of total expenses less \$22.7 million of total program revenues). The \$22.7 million of program revenues included about \$12.6 million of costs paid by those who directly benefited from the programs and \$10.0 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 \$30.6 million of general revenues with \$0.4 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 2020 Government Activities (see Table 2)



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, 2020 net position of \$97.6 million increased \$5.5 million or 6.0% from the prior fiscal year's net position of \$92.1 million. The cost of all Water District activities this year increased by \$2.3 million or 9.9% from \$22.8 million during FY 2018-19. The following details the contributing factors for the raise of expenses: \$1.0 million increase related to pipeline maintenance expenditures, as operations shifted from capital-related street improvement projects to operating maintenance and repairs, \$0.5 million increase in fuel costs, and \$0.2 million increase in operating costs related to water meter replacements and upgrades.

Total revenues increased \$4.1 million from \$26.5 million to \$30.6 million between FY 2018-19 and FY 2019-20. The largest contributing factor is a \$2.9 million in non-operating grants received for a Proposition 1 Grant from the State Water Resource Control Board, which is related to the construction of the reclaimed water pipeline distribution system. This is added to the \$1.9 million operating revenue increase in water sales, which is due to the third year rate increase of a five-year rate user rate study. On January 1, 2018, the Hesperia Water District Board approved a rate study that recommended a nine percent (9%) revenue increase for water services and a six percent (6%) revenue increase for sewer services.

As shown in the Changes in Net Position (Table 2), the amount paid by users of the systems was \$27.8 million, which is an increase of \$3.3 million or 13.4% from the June 30, 2019 total of \$24.5 million. This is directly attributable to the rise in water sales in all areas including residential, business, construction, and water rate surcharges as well as the increase in grant funding received. Non-operating revenues of about \$2.8 million made up the remainder of the \$30.6 million total revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The June 30, 2020 fund balance for governmental funds was \$9.1 million or 13.5% more than the June 30, 2019 balance of \$67.2 million. At year-end, the City's governmental funds reported combined fund balances, found on pages 24-25, of \$76.3 million.

- At year-end, the fund balance for the General Fund increased \$2.8 million or 21.5% from \$13.0 million in FY 2018-19 to \$15.9 million in FY 2019-20. Revenues exceeded expenditures by \$5.4 million and the General Fund transferred out a net amount of \$2.7 million to other funds (to pay the debt service related to 2012 Water Rights Acquisition and the PERS obligations relate to the former Hesperia Fire Protection District). General Fund revenues of \$37.4 million increased by \$1.7 million mostly due to vehicle license fees (\$0.6 million) and an increase in various fines and fees (\$0.6 million).

Compared to the prior year, General Fund expenditures increased by \$1.7 million. The increase is primarily due to a \$1.0 million increase in law enforcement costs. Other factors contributing to the increase include a \$0.6 million increase in contractual costs related to operations and maintenance of the Hesperia Golf Course and a \$0.3 million increase in contractual costs. These increases in expenditures were partially offset by a \$0.2 million decrease in litigation costs.

- The Development Impact Fees-Streets fund balance decreased to \$10.7 million from \$12.3 million at June 30, 2019. This decrease of \$1.6 million was primarily attributable to the \$0.4 million received in charges for services for fees related to residential and commercial permits being less than the \$2.3 million principal and interest payment made to San Bernardino County Transportation Authority for the Ranchero Road/I-15 Interchange project loan. This was partially offset by a \$0.4 million increase capital project-related reimbursements.
- Development Services Impact Fees-Public Service fund balance decreased \$0.8 million from negative \$2.6 million at June 30, 2019 to negative \$3.3 million at June 30, 2020. This decrease is due to the transfer of \$0.7 million for the debt service payment on the 2013 Refinancing of the 2005 COP bond as detailed in Note 6.
- The Community Development Commission fund balance at June 30, 2020 was \$11.5 million, which is a \$0.3 million increase from the fund balance of \$11.2 million as of June 30, 2019. This increase resulted from revenue received from a promissory note repayment.

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 (See Table 3 on the following page). For more detailed information about the City's assets, see Note 4 Capital Assets. At June 30, 2020, capital assets, net of depreciation, of the governmental activities totaled \$174.7 million, which reflects a decrease of \$7.3 million, from the prior year. As previously described, the decrease is primarily due to \$9.2 million net accumulated depreciation, \$0.4 million reduction to construction in progress from both completed projects and cancelled projects, and \$0.3 million reduction due to the elimination of outdated equipment. The net reductions are offset by \$2.7 million increase to infrastructure from the completion of capital projects

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, 2020, capital assets, net of depreciation, totaled \$99.3 million, which is an increase of nearly \$0.2 million. This net increase of \$0.2 million is primarily due to increases to construction in progress of \$3.5 million, which is offset by a net decrease of \$2.7 million for the current year depreciation.

Additionally, during FY 2019-20, the Water District completed the reclaimed water pipeline distribution system, which is reflected as a \$13.3 million reduction of construction in progress, which is offset by a \$13.3 million increase to infrastructure-water facilities.

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, 2019 Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Balance at June 30, 2020 Net of Accumulated Depreciation
Governmental Activities:					
Land	\$ 5,834,745	\$ 169,446	\$ (151,502)	\$ -	\$ 5,852,689
Water rights	36,413,793	-	-	-	36,413,793
Construction in progress	8,205,647	3,849,554	(4,182,184)	-	7,873,017
Land improvements	4,560,004	-	-	(147,386)	4,412,618
Vehicles	450,435	153,591	(266,747)	153,834	491,113
Buildings and improvements	66,825,712	-	-	(983,644)	65,842,068
Machinery and equipment	1,274,158	37,987	(322,209)	135,606	1,125,542
Infrastructure	58,431,685	2,587,169	-	(8,325,293)	52,693,561
	<u>\$ 181,996,179</u>	<u>\$ 6,797,747</u>	<u>\$ (4,922,642)</u>	<u>\$ (9,166,883)</u>	<u>\$ 174,704,401</u>
	Balance at June 30, 2019 Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Balance at June 30, 2020 Net of Accumulated Depreciation
Business-type Activities:					
Land	\$ 3,356,808	\$ -	\$ -	\$ -	\$ 3,356,808
Water rights	15,611,810	-	-	-	15,611,810
Construction in progress	12,019,313	3,530,717	(13,287,596)	-	2,262,434
Land improvements	64,114	-	(188,113)	124,000	1
Vehicles	332,878	63,391	(423,717)	358,251	330,803
Buildings and improvements	249,299	-	(215,548)	(14,377)	19,374
Machinery and equipment	1,041,397	110,822	-	82,277	1,234,496
Infrastructure:					
Water facilities	63,886,811	13,286,896	-	(3,062,625)	74,111,082
Sewer facilities	2,541,746	-	-	(178,753)	2,362,993
	<u>\$ 99,104,176</u>	<u>\$ 16,991,826</u>	<u>\$ (14,114,974)</u>	<u>\$ (2,691,227)</u>	<u>\$ 99,289,801</u>

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 on the following page. For more detailed information about debt, see Note 5 Long-Term Debt.

Debt, considered a liability of government activities, decreased in FY 2019-20 by a net of \$1.2 million. This decrease is primarily due to the annual debt payments of approximately \$3.7 million, which was offset by the addition of \$2.0 million to the Water District's State Revolving Loan. This \$2.0 million increase to the State Revolving Loan (Business-type Activities-Loans) increase is due to the construction costs pertaining to the Water District's reclaimed water pipeline distribution system.

Governmental Activities debt decreased by \$2.1 million. While claims payable increased by \$0.7 million, this was offset by reductions of \$1.9 million payment towards the 2018 San Bernardino County Transportation Authority (SBCTA) Loan and \$1.0 million debt payment was made towards the 2012 lease revenue bonds.

Business-type activities debt experienced an increase of a net amount of \$0.9 million in FY 2019-20. The increase is primarily due to the \$2.0 million loan with the California State Water Resources Control Board. The increase was partially offset by \$0.9 million from scheduled 1998 Lease Revenue refunding Bond.

Table 4
Outstanding Debt, at Year-end

	Principal Balance at June 30, 2019	Additions	Deductions	Principal Balance at June 30, 2020	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 34,505,000	\$ -	\$ (985,000)	\$ 33,520,000	\$ 1,040,000
Less deferred amounts:					
Bond premiums	87,716	-	(3,746)	83,970	-
Bond discounts	(239,284)	-	11,754	(227,530)	-
Loans	16,886,163	-	(1,876,240)	15,009,923	1,876,240
Compensated absences	719,952	64,392	-	784,344	752,970
Claims payable	2,252,926	692,599	-	2,945,525	1,414,000
	<u>\$ 54,212,473</u>	<u>\$ 756,991</u>	<u>\$ (2,853,232)</u>	<u>\$ 52,116,232</u>	<u>\$ 5,083,210</u>
Business-type Activities:					
Loans	\$ 4,099,013	\$ 1,961,561	\$ -	\$ 6,060,574	\$ 179,243
Revenue bonds	6,410,000	-	(875,000)	5,535,000	830,000
Less: deferred amounts:					
Bond discounts	(45,100)	-	6,443	(38,657)	-
Compensated absences	241,093	49,396	-	290,489	255,630
Claims payable	730,375	-	(253,062)	477,313	88,000
	<u>\$ 11,435,381</u>	<u>\$ 2,010,957</u>	<u>\$ (1,121,619)</u>	<u>\$ 12,324,719</u>	<u>\$ 1,352,873</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During March 2020, the nation begun to experience the impacts of the Coronavirus (COVID-19) pandemic. The City experienced a slowing of revenue starting in April 2020, as the State of California declared a State of Emergency and issued a shelter in place order, which was further reaffirmed by the County of San Bernardino. As these orders were implemented, the City's revenue was adversely impacted, which prior to April 2020, were on pace to end strongly at June 30, 2020. The FY 2020-21 Budget contains assumption that revenue growth will stall until there is relief from the nationwide pandemic.

While, the FY 2020-21 Budget assumes that total overall revenue will remain flat at \$86.0 million, tax related revenue within the General Fund and Streets related funds are expected to be impacted due to the pandemic. Sales and Use tax, which prior to the pandemic, was the largest source of revenue for the General Fund; FY 2020-21 anticipates that this revenue will be \$9.0 million or 7% less than FY 2019-20 Budget of \$9.7 million. Street Funds, which are largely sales tax based, is anticipated to decrease by 9% from FY 2019-20 Budget of \$7.6 million to \$6.9 million. The lack of revenue growth necessitated budget expenditure reductions. The following is a discussion of budgeted expenditures for FY 2020-21:

General Fund: As indicated, budgeted revenues are expected to remain flat, as Sales and Use tax is impacted by the pandemic. To offset the rising costs, the City reduced the General Fund budget by \$2.1 million, of which \$0.5 million was the elimination of vacant positions, \$0.6 of operational savings, \$1.0 million from the implementation of a 10% furlough.

Water District: The Hesperia Water District is comprised of Water and Sewer functions. District's total revenue for the water and sewer funds is expected to remain flat at \$29.1 million. Water. The Water District is anticipating increase in rate payer related revenue approximately 4% in water and 5% in sewer. These increases are offset by a reduction of \$1.6 million in Proposition 1 Grant revenue for the recycled water pipeline project, as the project is completed.

The District's expenses are expected to decrease by \$9.6 million from the FY 2019-20 Budget of \$38.7 million. The primary reason for the expenditure decrease is the reduction in budgeting from Water Capital Improvement Projects (CIP), as the largest project (recycled water pipeline project) was completed in FY 2019-20.

Transportation: \$17.2 million is budgeted toward transportation projects for FY 2020-21, which includes:

- \$8.5 million is budgeted toward Ranchero Road related projects.
- \$2.6 million is allocated for the E Avenue Street Improvement project which involves street widening, construction of curbs and gutters, sidewalks, and storm drain improvements. This project was continued from FY 2019-20.
- \$3.0 million is allotted for the FY 2019-20 Street Improvement Program (continued from FY 2019-20), which is planned to reconstruction of an existing main arterial roadway to City as well as remediation of drainage issues and a sag in the sewer line. Of this total \$3.0 million, \$1.5 million from Community Development Block Grant (CDBG) funds.
- \$3.1 million is budgeted toward five (5) other street projects for Fiscal Year 2020-21 including various street improvements, studies, and traffic signalization at the aqueduct.

Facilities: \$0.8 million is budgeted toward facilities projects for FY 2020-21, which includes:

- \$0.7 million allocated for expansions to a Park & Ride facility.

Storm Drainage: \$1.4 million is allotted toward storm drainage projects for FY 2020-21, which includes:

- \$0.9 million is allocated for the H-01 Retention Basin and \$0.5 million A-04 Drainage program.

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.

STATEMENT OF NET POSITION

June 30, 2020

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 40,860,202	\$ 17,696,085	\$ 58,556,287
Receivables			
Accounts	2,110,669	4,426,775	6,537,444
Accrued interest	108,898	46,278	155,176
Due from other governmental agencies	5,637,021	2,753,143	8,390,164
Land held for resale	28,180,740	-	28,180,740
Inventories	14,709	1,260,801	1,275,510
Deposits	-	3,300	3,300
Internal balances	5,458	(5,458)	-
Restricted assets:			
Cash and investments with fiscal agent	-	9,207	9,207
Cash held for bond reserves	2,607,272	-	2,607,272
Total Current Assets	79,524,969	26,190,131	105,715,100
Noncurrent Assets:			
Other Noncurrent Assets:			
Notes receivable	36,150,693	-	36,150,693
Allowance for notes receivable	(36,150,693)	-	(36,150,693)
Deposits for self-insurance	1,526,517	760,309	2,286,826
Total Other Noncurrent Assets	1,526,517	760,309	2,286,826
Capital Assets:			
Not being depreciated:			
Land	5,852,689	3,356,808	9,209,497
Water rights	36,413,793	15,611,810	52,025,603
Construction in progress	7,873,017	2,262,434	10,135,451
Being depreciated:			
Land improvements	6,135,439	534,168	6,669,607
Buildings and improvements	48,573,520	4,509,810	53,083,330
Equipment and vehicles	8,284,081	7,593,781	15,877,862
Infrastructure	201,243,610	-	201,243,610
Water and sewer facilities	-	147,976,548	147,976,548
Less: Accumulated depreciation	(139,671,748)	(82,555,558)	(222,227,306)
Total Capital Assets	174,704,401	99,289,801	273,994,202
Total Noncurrent Assets	176,230,918	100,050,110	276,281,028
Total assets	255,755,887	126,240,241	381,996,128
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	408,532	408,532
Deferred OPEB outflows	423,247	118,053	541,300
Deferred pension outflows	5,945,030	1,570,714	7,515,744
Total deferred outflows of resources	6,368,277	2,097,299	8,465,576

See accompanying notes to financial statements.

CITY OF HESPERIA

LIABILITIES	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current Liabilities:			
Accounts payable and other current liabilities	\$ 2,158,976	\$ 6,989,329	\$ 9,148,305
Accrued interest payable	440,313	1,276	441,589
Deposits	6,700	617,060	623,760
Due to other governments	141	1,999,857	1,999,998
Compensated absences	752,970	255,630	1,008,600
Claims payable	1,414,000	88,000	1,502,000
Long-term debt-due within one year	2,916,240	1,009,243	3,925,483
Total Current Liabilities	7,689,340	10,960,395	18,649,735
Noncurrent Liabilities:			
Unearned revenue	-	494,324	494,324
Compensated absences	31,374	34,859	66,233
Claims payable	1,531,525	389,313	1,920,838
Loan payable	13,133,683	5,881,331	19,015,014
Long-term debt-due in more than one year	32,336,440	4,666,343	37,002,783
Net pension liability	25,202,582	5,802,661	31,005,243
Net OPEB liabilities	3,439,161	1,425,282	4,864,443
Total Noncurrent Liabilities	75,674,765	18,694,113	94,368,878
Total liabilities	83,364,105	29,654,508	113,018,613
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB inflows	1,529,933	574,598	2,104,531
Deferred pension inflows	1,746,689	495,307	2,241,996
Total deferred inflows of resources	3,276,622	1,069,905	4,346,527
NET POSITION			
Net investment in capital assets	141,327,961	88,150,623	229,478,584
Restricted for:			
Debt service	2,715,013	394,734	3,109,747
Transportation	28,928,791	-	28,928,791
Air quality	23,768	-	23,768
Public safety	27,424,237	-	27,424,237
Economic development	4,544,477	-	4,544,477
Other purposes	413,058	-	413,058
Unrestricted	(29,893,868)	9,067,770	(20,826,098)
Total net position	\$ 175,483,437	\$ 97,613,127	\$ 273,096,564

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 9,330,386	\$ 7,831,796	\$ 334,127	\$ -
Public safety	18,719,485	693,224	1,200,588	-
Development services	23,152,577	4,121,886	8,423,512	44,515
Interest on long-term debt	1,676,057	-	-	-
Total governmental activities	<u>52,878,505</u>	<u>12,646,906</u>	<u>9,958,227</u>	<u>44,515</u>
Business-type activities:				
Water	20,486,895	20,078,639	2,896,118	-
Sewer	4,569,157	4,867,404	-	-
Total business-type activities	<u>25,056,052</u>	<u>24,946,043</u>	<u>2,896,118</u>	<u>-</u>
Total primary government	<u>\$ 77,934,557</u>	<u>\$ 37,592,949</u>	<u>\$ 12,854,345</u>	<u>\$ 44,515</u>

General Revenues:

Taxes:

Property taxes
 Sales and use tax
 Transient occupancy tax
 Franchise tax
 Document transfer tax
 Other Taxes
 Motor vehicle in lieu
 Unrestricted investment earnings
 Unrestricted system improvement and replacement
 Other

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

CITY OF HESPERIA

Net (Expense)/Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,164,463)	\$ -	\$ (1,164,463)
(16,825,673)	-	(16,825,673)
(10,562,664)	-	(10,562,664)
(1,676,057)	-	(1,676,057)
<u>(30,228,857)</u>	<u>-</u>	<u>(30,228,857)</u>
-	2,487,862	2,487,862
-	298,247	298,247
-	2,786,109	2,786,109
<u>(30,228,857)</u>	<u>2,786,109</u>	<u>(27,442,748)</u>
10,642,798	512,114	11,154,912
10,969,697	-	10,969,697
1,389,038	-	1,389,038
3,565,576	-	3,565,576
283,585	-	283,585
290,022	-	290,022
76,266	-	76,266
2,975,216	227,763	3,202,979
-	1,806,811	1,806,811
456,808	215,543	672,351
<u>30,649,006</u>	<u>2,762,231</u>	<u>33,411,237</u>
420,149	5,548,340	5,968,489
<u>175,063,288</u>	<u>92,064,787</u>	<u>267,128,075</u>
<u>\$ 175,483,437</u>	<u>\$ 97,613,127</u>	<u>\$ 273,096,564</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Development Impact Fees- Streets	Development Impact Fees- Public Services
Assets			
Assets			
Cash and cash equivalents	\$ 7,350,053	\$ 3,201,611	\$ -
Restricted investments	-	-	-
Accounts receivable	2,039,717	-	-
Accrued interest	22,141	8,588	-
Notes receivable	-	-	-
Allowance for notes receivable	-	-	-
Due from other governmental agencies	4,618,476	-	-
Prepaid items	-	-	-
Due from other funds	1,199,234	10,218	-
Land held for resale	-	7,501,637	-
Inventory	14,709	-	-
Advance to other funds	3,146,324	-	-
Total Assets	\$ 18,390,654	\$ 10,722,054	\$ -
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ 1,357,989	\$ 11,462	\$ -
Due to other governments	-	-	-
Deposits	6,000	-	-
Due to other funds	23,540	-	181,929
Advances from other funds	-	-	3,146,324
Total Liabilities	1,387,529	11,462	3,328,253
Deferred Inflows of Resources			
Unavailable revenues	1,110,818	-	-
Total Deferred Inflows of Resources	1,110,818	-	-
Fund Balances:			
Nonspendable:			
Inventory	14,709	-	-
Advances to other funds	3,146,324	-	-
Restricted:			
Debt Service	-	-	-
Transportation	-	10,710,592	-
Air quality	-	-	-
Public safety	-	-	-
Economic development	-	-	-
Other purposes	-	-	-
Assigned:			
Self Insurance	150,000	-	-
Unassigned	12,581,274	-	(3,328,253)
Total Fund Balances	15,892,307	10,710,592	(3,328,253)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 18,390,654	\$ 10,722,054	\$ -

See accompanying notes to financial statements.

CITY OF HESPERIA

Hesperia Housing Authority	Community Development Commission	Other Governmental Funds	Total Governmental Funds
\$ 3,575,300	\$ -	\$ 26,733,238	\$ 40,860,202
-	-	2,607,272	2,607,272
-	-	70,952	2,110,669
10,157	-	68,012	108,898
22,288,427	-	13,862,266	36,150,693
(22,288,427)	-	(13,862,266)	(36,150,693)
-	-	1,018,545	5,637,021
-	-	-	-
-	41,254	152,116	1,402,822
8,576,981	12,102,122	-	28,180,740
-	-	-	14,709
-	-	-	3,146,324
<u>\$ 12,162,438</u>	<u>\$ 12,143,376</u>	<u>\$ 30,650,135</u>	<u>\$ 84,068,657</u>
\$ 12,378	\$ 1,025	\$ 776,122	\$ 2,158,976
-	-	141	141
-	-	700	6,700
17	640,902	550,976	1,397,364
-	-	-	3,146,324
<u>12,395</u>	<u>641,927</u>	<u>1,327,939</u>	<u>6,709,505</u>
-	-	-	1,110,818
-	-	-	1,110,818
-	-	-	14,709
-	-	-	3,146,324
-	-	2,715,013	2,715,013
-	-	18,218,199	28,928,791
-	-	23,768	23,768
12,150,043	11,501,449	3,772,745	27,424,237
-	-	4,544,477	4,544,477
-	-	413,058	413,058
-	-	-	150,000
-	-	(365,064)	8,887,957
<u>12,150,043</u>	<u>11,501,449</u>	<u>29,322,196</u>	<u>76,248,334</u>
<u>\$ 12,162,438</u>	<u>\$ 12,143,376</u>	<u>\$ 30,650,135</u>	<u>\$ 84,068,657</u>



RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds		\$ 76,248,334
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.		174,704,401
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.		(440,313)
Revenues receivable from outside agencies are unavailable on the fund statements, but recognized on the government-wide statements.		1,110,818
Deposits with insurance providers to pay for long-term liabilities are not current financial resources and, therefore, are not recorded on the governmental funds balance sheet.		1,526,517
OPEB-related debt applicable to the City's governmental activities is not due, and payable in the current period and accordingly is not reported as 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	\$ 423,247	
Deferred inflow - OPEB	(1,529,933)	
Net OPEB liability	<u>(3,439,161)</u>	(4,545,847)
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.		(52,116,232)
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 fund liability. Additionally, related deferred inflows and outflows of resources are not reported in the fund statements. Balances as of June 30, 2020 are as follows:		
Deferred outflow	5,945,030	
Deferred inflow	(1,746,689)	
Net pension liability	<u>(25,202,582)</u>	<u>(21,004,241)</u>
Net position of governmental activities		<u>\$ 175,483,437</u>

CITY OF HESPERIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Development Impact Fees- Streets	Development Impact Fees- Public Services
Revenues:			
Taxes	\$ 17,721,574	\$ -	\$ -
Licenses and permits	284,948	-	-
Fines and forfeits	1,366,432	-	-
Use of money and property	184,491	75,413	134
Intergovernmental	11,883,595	-	-
Charges for services	3,026,004	379,945	25,334
Grants	22,760	-	-
Other revenues	2,908,466	350,000	-
Total Revenues	37,398,270	805,358	25,468
Expenditures:			
Current:			
General government:			
City council	942,381	-	-
City manager	2,627,151	-	-
Management services	4,364,749	-	-
Public safety-police	17,319,612	-	-
Public safety-fire	-	-	-
Development services	6,660,916	-	-
Debt service:			
Interest	-	416,244	59,289
Principal	-	1,876,240	-
Bond administration expense	-	-	-
Capital outlay:			
Land	-	1,248	-
Water rights	-	-	-
Equipment and vehicles	67,656	-	-
Infrastructure	-	89,871	-
Total Expenditures	31,982,465	2,383,603	59,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,415,805	(1,578,245)	(33,821)
Other Financing Sources (Uses):			
Transfers in	644,400	-	-
Transfers out	(3,372,385)	-	(730,064)
Sale of capital assets	124,100	-	-
Total Other Financing Sources (Uses)	(2,603,885)	-	(730,064)
Net Change in Fund Balances	2,811,920	(1,578,245)	(763,885)
Fund balances at beginning of year	13,080,387	12,288,837	(2,564,368)
Fund balances at end of year	\$ 15,892,307	\$ 10,710,592	\$ (3,328,253)

See accompanying notes to financial statements.

CITY OF HESPERIA

Hesperia Housing Authority	Community Development Commission	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,708,250	\$ 22,429,824
-	-	-	284,948
-	-	-	1,366,432
94,365	29,726	421,497	805,626
-	-	3,273,017	15,156,612
-	-	4,072,717	7,504,000
-	-	1,441,817	1,464,577
119,840	285,030	431,959	4,095,295
214,205	314,756	14,349,257	53,107,314
-	-	-	942,381
-	-	21,593	2,648,744
-	-	-	4,364,749
-	-	-	17,319,612
-	-	874,510	874,510
93,723	457,622	5,166,273	12,378,534
-	-	1,285,925	1,761,458
-	-	985,000	2,861,240
-	-	5,450	5,450
-	-	-	1,248
-	-	172,344	172,344
-	-	608,431	676,087
-	-	2,393,102	2,482,973
93,723	457,622	11,512,628	46,489,330
120,482	(142,866)	2,836,629	6,617,984
-	430,299	7,472,071	8,546,770
-	-	(4,444,321)	(8,546,770)
-	-	51,583	175,683
-	430,299	3,079,333	175,683
120,482	287,433	5,915,962	6,793,667
12,029,561	11,214,016	23,406,234	69,454,667
\$ 12,150,043	\$ 11,501,449	\$ 29,322,196	\$ 76,248,334

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds.		6,793,667
Increase in long-term deposits and claims payable are included in governmental activities in the government-wide statement of activities.		260,003
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	\$ 2,615,561	
Depreciation expense	(9,705,780)	
Disposals of assets	(201,561)	(7,291,780)
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.		98,861
OPEB expense 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.		7,950
Revenues received after the availability period are recognized in the government-wide statements and unavailable in the fund statements.		191,340
Pension expense 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.		(1,736,133)
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	2,861,240	
Amortization of premiums and discounts	(8,008)	
Changes to compensated absences	(64,392)	
Changes to claims payable	(692,599)	2,096,241
		<u>420,149</u>

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 year ending June 30, 2020.

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.

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2020

	Water Operations & Capital	Sewer Operations & Capital	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 99,883	\$ 17,596,202	\$ 17,696,085
Receivables:			
Accounts	3,662,986	763,789	4,426,775
Accrued interest	17,543	28,735	46,278
Due from other governmental agencies	2,753,143	-	2,753,143
Deposits	-	3,300	3,300
Inventories	1,260,801	-	1,260,801
Due from other funds	-	-	-
Restricted Assets:			
Cash and investments with fiscal agent	9,207	-	9,207
Total Current Assets	<u>7,803,563</u>	<u>18,392,026</u>	<u>26,195,589</u>
Noncurrent Assets:			
Other Noncurrent Assets:			
Deposits for self-insurance	688,192	72,117	760,309
Total Other Noncurrent Assets	<u>688,192</u>	<u>72,117</u>	<u>760,309</u>
Capital Assets:			
Land	1,552,271	1,804,537	3,356,808
Water rights	15,611,810	-	15,611,810
Construction in progress	1,114,518	1,147,916	2,262,434
Land improvements	534,168	-	534,168
Vehicles	1,903,844	214,005	2,117,849
Machinery and equipment	4,794,234	681,698	5,475,932
Buildings and improvements	4,509,810	-	4,509,810
Water and sewer facilities	140,839,140	7,137,408	147,976,548
Less: Accumulated depreciation	(77,395,564)	(5,159,994)	(82,555,558)
Total Capital Assets	<u>93,464,231</u>	<u>5,825,570</u>	<u>99,289,801</u>
Total Noncurrent Assets	<u>94,152,423</u>	<u>5,897,687</u>	<u>100,050,110</u>
Total Assets	<u>101,955,986</u>	<u>24,289,713</u>	<u>126,245,699</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	408,532	-	408,532
Deferred OPEB outflows	118,053	-	118,053
Deferred pension outflows	1,360,399	210,315	1,570,714
Total Deferred Outflows of Resources	<u>1,886,984</u>	<u>210,315</u>	<u>2,097,299</u>

See accompanying notes to financial statements.

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2020 (Continued)

	Water Operations & Capital	Sewer Operations & Capital	Total
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 5,953,470	\$ 1,035,859	\$ 6,989,329
Accrued personnel costs	-	-	-
Accrued interest payable	1,276	-	1,276
Deposits	617,060	-	617,060
Due to other funds	4	5,454	5,458
Due to other governments	-	1,999,857	1,999,857
Claims payable	79,866	8,134	88,000
Long term debt due within one year	1,232,597	32,276	1,264,873
Total Current Liabilities	<u>7,884,273</u>	<u>3,081,580</u>	<u>10,965,853</u>
Noncurrent Liabilities:			
Total OPEB liability	1,425,282	-	1,425,282
Net pension liability	5,025,701	776,960	5,802,661
Unearned revenue	-	494,324	494,324
Compensated absences	30,458	4,401	34,859
Claims payable	349,690	39,623	389,313
Loan payable	5,881,331	-	5,881,331
Revenue bonds (net of unamortized discounts)	4,666,343	-	4,666,343
Total Noncurrent Liabilities	<u>17,378,805</u>	<u>1,315,308</u>	<u>18,694,113</u>
Total Liabilities	<u>25,263,078</u>	<u>4,396,888</u>	<u>29,659,966</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB inflows	574,598	-	574,598
Deferred pension inflows	428,986	66,321	495,307
Total Deferred Inflows of Resources	<u>1,003,584</u>	<u>66,321</u>	<u>1,069,905</u>
NET POSITION			
Net Investment in capital assets	82,325,053	5,825,570	88,150,623
Restricted for debt service	394,734	-	394,734
Unrestricted	(5,143,479)	14,211,249	9,067,770
Total Net Position	<u>\$ 77,576,308</u>	<u>\$ 20,036,819</u>	<u>\$ 97,613,127</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2020

	Water Operations & Capital	Sewer Operations & Capital	Total
OPERATING REVENUES			
Water sales	\$ 19,433,118	\$ -	\$ 19,433,118
Water services	569,268	-	569,268
Sewer services	-	4,866,672	4,866,672
Other	76,253	732	76,985
Total Operating Revenues	<u>20,078,639</u>	<u>4,867,404</u>	<u>24,946,043</u>
OPERATING EXPENSES			
General and administrative	3,883,057	293,022	4,176,079
Engineering	990,079	193,766	1,183,845
Production	6,254,492	-	6,254,492
Distribution	2,533,580	-	2,533,580
Wastewater collection	-	3,826,359	3,826,359
Customer service	2,957,069	-	2,957,069
Depreciation and amortization	3,207,913	256,010	3,463,923
Total Operating Expenses	<u>19,826,190</u>	<u>4,569,157</u>	<u>24,395,347</u>
OPERATING INCOME (LOSS)	<u>252,449</u>	<u>298,247</u>	<u>550,696</u>
NONOPERATING REVENUES (EXPENSES)			
System improvement and replacement fees	1,806,811	-	1,806,811
Property taxes	512,114	-	512,114
Rent income	215,543	-	215,543
Interest income	91,879	135,884	227,763
Interest expense	(620,248)	-	(620,248)
Grants received	2,896,118	-	2,896,118
Loss on disposal of capital assets	(40,457)	-	(40,457)
Total Nonoperating Revenues (Expenses), Net	<u>4,861,760</u>	<u>135,884</u>	<u>4,997,644</u>
Change In Net Position	5,114,209	434,131	5,548,340
Net position at beginning of year	<u>72,462,099</u>	<u>19,602,688</u>	<u>92,064,787</u>
Net position at end of year	<u>\$ 77,576,308</u>	<u>\$ 20,036,819</u>	<u>\$ 97,613,127</u>

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2020

	Water Operations & Capital	Sewer Operations & Capital	Total
Cash Flows from Operating Activities:			
Cash received from water and sewer customers	\$ 18,666,173	\$ 5,288,604	\$ 23,954,777
Cash received from other operating receipts	76,253	732	76,985
Cash payments for water purchases	(3,464,648)	-	(3,464,648)
Cash payments for sewer collection and maintenance	-	(2,269,092)	(2,269,092)
Cash payments for services and supplies	(3,032,242)	-	(3,032,242)
Cash payments to employees for services	(7,241,693)	(432,313)	(7,674,006)
Net Cash Provided (Used) by Operating Activities	5,003,843	2,587,931	7,591,774
Cash Flows from Noncapital and Related Financing Activities:			
Grants received	2,896,118	-	2,896,118
Property taxes received	512,114	-	512,114
Cash received to/from other funds		9,581,257	9,581,257
Cash received to/from other funds	(9,689,649)		(9,689,649)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(6,281,417)	9,581,257	3,299,840
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(3,139,126)	(565,104)	(3,704,230)
Unrestricted system improvement and replacement receipts	1,806,811	-	1,806,811
Proceeds received from state revolving fund loan	1,961,561	-	1,961,561
Proceeds from sale of assets	14,225	-	14,225
Interest payments on long-term debt	(575,696)	-	(575,696)
Principal payments on long-term debt	(875,000)	-	(875,000)
Payments for deposits	(415,094)	-	(415,094)
Net Cash Used by Capital and Related Financing Activities	(1,222,319)	(565,104)	(1,787,423)
Cash Flows from Investing Activities:			
Rents received	215,543	-	215,543
Interest received	89,215	137,486	226,701
Net Cash Provided by Investing Activities	304,758	137,486	442,244
Net Increase (Decrease) in Cash and Cash Equivalents	(2,195,135)	11,741,570	9,546,435
Cash and cash equivalents at beginning of year	2,304,225	5,854,632	8,158,857
Cash and cash equivalents at end of year	\$ 109,090	\$ 17,596,202	\$ 17,705,292
Cash and cash equivalents			
Cash and cash equivalents	99,883	17,596,202	17,696,085
Cash and investments with fiscal agent	9,207	-	9,207
Cash and cash equivalents at end of year	\$ 109,090	\$ 17,596,202	\$ 17,705,292

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2020

	Water Operations & Capital	Sewer Operations & Capital	Total
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:			
Operating income (Loss)	\$ 252,449	\$ 298,247	\$ 550,696
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	3,207,913	256,010	3,463,923
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(433,337)	(72,380)	(505,717)
(Increase) decrease in deposits	(98,167)	(11,581)	(109,748)
(Increase) decrease in inventory	(172,089)	-	(172,089)
(Increase) decrease in prepaid expenses	35,126	-	35,126
(Increase) decrease in due from other governments	(865,037)	54	(864,983)
(Increase) decrease in deferred outflows on pension	(19,636)	(3,746)	(23,382)
(Increase) decrease in deferred outflows on OPEB	(72,098)	-	(72,098)
Increase (decrease) in accounts and claims payable	2,526,312	532,920	3,059,232
Increase (decrease) in customer deposits	(27,370)	-	(27,370)
Increase (decrease) in due to other governments	-	999,691	999,691
Increase (decrease) in net OPEB obligation	180,284	-	180,284
Increase (decrease) in deferred revenue	(10,469)	494,324	483,855
Increase (decrease) in net pension liability	496,389	79,138	575,527
Increase (decrease) in compensated absences	42,956	6,440	49,396
Increase (decrease) in deferred OPEB inflows	(95,110)	-	(95,110)
Increase (decrease) in deferred inflows on pension	55,727	8,814	64,541
Total Adjustments	4,751,394	2,289,684	7,041,078
Net Cash Provided (Used) by Operating Activities	\$ 5,003,843	\$ 2,587,931	\$ 7,591,774
Supplemental Disclosures:			
Noncash Capital and Financing Activities			
Amortization Related to Long-Term Debt	\$ 74,532	\$ -	74,532

FIDUCIARY TYPE FUNDS

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

Individual Agency funds are as follows:

Special Deposits - To account for various deposits that are held by the City as collateral, guarantee of work to be done, or for code compliance. The monies in this fund are returned to the depositor upon completion of projects and/or fulfillment of purpose.

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.

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.

Branch Library - To account for community donations that are held by the City, to assist in the financing of the future expansion of the community library.

Summit Valley HCP - To account for deposits that are held by the City to offset the costs for establishing the Summit Valley Habitat Conservation Plan.

Plan Review Trust - To account for deposits that are held by the City to offset the costs incurred by large developer projects.

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.

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Total Agency Funds	Successor Agency to the Former Hesperia Community Redevelopment Agency Private Purpose Fund
ASSETS		
Current Assets:		
Cash and investments	\$ 3,974,301	\$ 8,651,350
Cash and investments with fiscal agent	1,456,943	1,014
Accounts receivable	41,025	-
Accrued interest	6,526	19,394
Notes receivable, net of allowance	-	1,021,108
Land held for resale	-	2,495,015
Total Current Assets	<u>5,478,795</u>	<u>12,187,881</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles and equipment, net of depreciation	-	7,892
Total Noncurrent Assets	<u>-</u>	<u>7,892</u>
Total Assets	<u><u>\$ 5,478,795</u></u>	<u><u>12,195,773</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 758,766	-
Due to bondholders	3,357,320	-
Deposits payable	1,362,709	-
Accrued interest	-	1,466,805
Tax revenue bonds, current portion	-	5,360,000
Total Current Liabilities	<u>5,478,795</u>	<u>6,826,805</u>
Long -Term Liabilities:		
Tax revenue bonds, long-term portion	-	110,066,311
Total Long -Term Liabilities	<u>-</u>	<u>110,066,311</u>
Total Liabilities	<u><u>\$ 5,478,795</u></u>	<u><u>116,893,116</u></u>
DEFERRED INFLOWS OF RESOURCES		
Gain on Refunding		<u>918,128</u>
NET POSITION		
Held in trust for private purpose		<u>(105,615,471)</u>
Total Net Position		<u><u>\$ (105,615,471)</u></u>

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2020

	Successor Agency to the Former Hesperia Community Redevelopment Agency Private Purpose Fund
Additions:	
Taxes	\$ 9,515,617
Investment and rental	81,250
Gain on sale of assets	6,264
Total Additions	<u>9,603,131</u>
Deductions:	
Development services	310,295
Interest and fiscal expense	3,949,786
Total Deductions	<u>4,260,081</u>
Change in Net Position	5,343,050
Total Net Position at Beginning of Period	<u>(110,958,521)</u>
Total Net Position at End of Year	<u><u>\$ (105,615,471)</u></u>



June 30, 2020

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 (US GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (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 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.

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.
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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2020, 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. For the most part, the effect of interfund activity has been removed from these statements. 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 non-major 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 non-major 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 funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. 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 **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 – Public Services 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.

The **Hesperia Housing Authority Special Revenue Fund** is used to account for Low and Moderate Housing activity.

The **Community Development Commission Special Revenue Fund** is used to account for the development, management, and promotion of economic development.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 agency funds. The private-purpose trust fund is used to account for the assets and liabilities of the former Redevelopment Agency. Trust and agency 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 agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The **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.

Agency Special Deposits Fund – This fund is used to account for various deposits that are held by the City as collateral, guarantee of work to be done, or for code compliance. The monies in this fund are returned to the depositor upon completion of projects and/or fulfillment of purpose.

Assessment District 91-1 Fund – This fund accounts for the Joshua/West Main Street assessment district special taxes received and the payment of debt service related to bonds issued.

Community Facilities District 2005-1 Fund – This fund accounts for the restructuring of the Community Facilities District 91-3 debt used to finance the infrastructure of the Belgate Development.

Summit Valley HCP Fund – This fund accounts for deposits held by the City to offset the costs for establishing the Summit Valley Habitat Conservation Plan.

Plan Review Fund – This fund accounts for deposits held by the City to offset the costs incurred by large developer projects.

HFPD Fund – This fund accounts 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Branch Library Fund – This fund accounts for community donations that are held by the City, to assist in the financing of the future expansion of the community library.

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. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. 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 taxes, 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. New Accounting Pronouncements

Current Year Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32. Paragraphs 4 and 5 are applicable to fiscal year 2019-2020. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

In January 2017, GASB issued Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the financial statements.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, early application is encouraged.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. New Accounting Pronouncements (Continued)

In June 2017, GASB issued Statement No. 87 – *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

In May 2019, GASB issued Statement No. 91 – *Conduit Debt Obligations*. This Statement clarifies existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, early application is encouraged.

In January 2020, GASB issued Statement No. 92 – *Omnibus 2020*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 receivables at June 30, 2020, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Land Held for Resale

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

j. Capital Assets

Capital assets, which include land, buildings, building improvements, infrastructure, and equipment 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.

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 fixed 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. Land and construction in progress are not depreciated:

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

k. Restricted Assets

The primary government reports assets that are restricted for customer deposits, contributions designated for specific purposes, and funds held in trust that are restricted for debt service payments.

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, 2020, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

o. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred Loss on Refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred Outflow Related to Pensions and OPEB – This amount is equal to employer contributions made after the measurement date of the net pension liability and net OPEB liability.
- Deferred Outflow Related to Pensions – For the difference between expected and actual experience, changes in assumptions, changes in proportion and differences between the City's contributions and proportionate share of contributions. These amounts 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Deferred Outflows/Inflows of Resources (Continued)

- Deferred Outflow Related to OPEB – For the difference between expected and actual experience, changes in assumptions and changes in proportion. These amounts 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.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable Revenue – This item arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenues*, is reported only in the governmental funds balance sheet.
- Deferred Gain on Refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred Inflow Related to Pensions – For the difference between expected and actual experience, changes in assumptions, and differences between the City's contributions and proportionate share of contributions. These amounts 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.
- Deferred Inflow Related to OPEB – For the difference between expected and actual experience, changes in assumptions, changes in proportion and differences between the City's contributions and proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees provided with OPEB through the plans.
- Deferred Inflow Related to Pensions for the difference in projected and actual earnings. These are amortized over five years.

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 that is 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."

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

Pursuant to Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the fund balance reported on the fund statements now consist of the following categories:

- The nonspendable fund balance category typically includes inventories, prepaid items, 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 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.
- 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. It is the City's policy to consider committed amounts as being reduced 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.

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. 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.

t. 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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments at June 30, 2020, are classified in the accompanying financial statements as follows:

STATEMENT OF NET POSITION:

Current Assets:

Cash and cash equivalents	\$ 58,556,287
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Restricted assets:

Cash and investments with fiscal agent	9,207
Cash held for bond reserves	2,607,272

STATEMENT OF NET POSITION - FIDUCIARY FUNDS:

Current Assets:

Cash and investments	12,625,651
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Cash and investments with fiscal agent	1,457,957
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Total cash and investments	<u>\$ 75,256,374</u>
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2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2020, consist of the following:

Cash on hand	\$ 15,775
Deposits with financial institutions	13,290,167
Investments	61,950,432
Total cash and investments	<u>\$ 75,256,374</u>

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

The table on the next page 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of *Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	100%	None
U.S. State or Local Agency Securities	5 years	100%	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	100%	None
Medium-Term Notes	5 years	30%	None
Mutual & Money Market Funds	90 days	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

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

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.

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	\$ 57,875,997	\$ 57,875,997	\$ -	\$ -	\$ -
Held by fiscal agent:					
Money market funds	4,074,435	4,074,435	-	-	-
Total	<u>\$ 61,950,432</u>	<u>\$ 61,950,432</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.

Investment Type		Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
LAIF	\$ 57,875,997	N/A	\$ -	\$ 57,875,997
Held by fiscal agent:				
Money market funds	4,074,435	AAA	4,074,435	-
Total	<u>\$ 61,950,432</u>		<u>\$ 4,074,435</u>	<u>\$ 57,875,997</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, 2020, 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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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, 2020, deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts.

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.

Credit Enhancement

The City invested \$7,500,000 with Bank of the West in September 2013 to use for a letter of credit to provide additional security for the payment of debt service. This was done through a competitive process developed by the Finance Department. This credit enhancement was created to improve the credit rating on City debt, provide supplemental security for debt service, and meets the City's debt financing goals and objectives. At June 30, 2020, the balance was \$7,544,177, which is reported as part of deposits with financial institutions.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. 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 and money market mutual funds are not subject to the fair value hierarchy.

3. NOTES RECEIVABLE

Notes receivable, totaling \$36,150,693 at June 30, 2020, 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 \$36,150,693 has been established.

Notes receivable at June 30, 2020, include the following:

	June 30, 2019	Additions	Deductions	June 30, 2020
A. KDF VAH I, L.P.	\$ 6,918,072	\$ 72,217	\$ -	\$ 6,990,289
B. KDF Hesperia, L.P.	6,413,767	127,179	-	6,540,946
C. KDF Hesperia II, L.P.	7,684,964	145,500	-	7,830,464
D. PDDC San Remo I Hesperia, L.P.	4,325,460	39,665	(8,605)	4,356,520
E. PDDC San Remo II Hesperia, L.P.	6,216,282	58,550	(108,722)	6,166,110
F. Sultan Financial Hesperia, LLC	278,144	6,720	(284,864)	-
G. Verma Petroleum, INC.	42,161	-	-	42,161
H. Eagle Hesperia 55, L.P.	4,060,404	76,849	-	4,137,253
H. 16351 Live Oak	-	86,950	-	86,950
Totals	<u>\$ 35,939,254</u>	<u>\$ 613,630</u>	<u>\$ (402,191)</u>	<u>\$ 36,150,693</u>

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 fifty-five years: (1) a \$2.9 million loan bearing an interest rate of one percent (1%); (2) a \$3.0 million bearing an interest rate of one percent (1%); and (3) a \$0.4 million loan bearing an interest rate of three percent (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. Interest on the notes through June 30, 2020, is \$861,256 and payments received on the note through June 30, 2020, are \$204,967. The balance of the loans outstanding at June 30, 2020, was \$6,990,289.

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 fifty-five years: (1) a \$1.3 million loan bearing an interest rate of one percent (1%), and (2) a \$3.4 million loan bearing an interest rate of three percent (3%).

3. NOTES RECEIVABLE (Continued)

b. KDF Hesperia, L.P. (Continued)

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, 2020, is \$1,505,068 and payments received on the note through June 30, 2020, are \$25,211. The balance of the loans outstanding at June 30, 2020, was \$6,540,946.

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 fifty-five years: (1) a \$2.0 million loan bearing an interest rate of one percent (1%), and (2) a \$3.9 million bearing an interest rate of three percent (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, 2020, is \$1,660,394. The balance of the loans outstanding at June 30, 2020, was \$7,830,464.

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 fifty-five years and shall bear interest at a rate of one percent (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, 2020, is \$445,476 and payments received on the note through June 30, 2020, are \$44,667. The balance of the loan outstanding at June 30, 2020, was \$4,356,520.

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.

3. NOTES RECEIVABLE (Continued)

e. PDDC San Remo II Hesperia, L.P. (Continued)

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 fifty-five years and shall bear interest at a rate of one percent (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, 2020, is \$603,467 and payments received on the note through June 30, 2020, are \$1,050,977. The balance of the loan outstanding at June 30, 2020, was \$6,166,110.

f. Sultan Financial Hesperia, LLC

In October 2014, the Commission entered into a loan agreement with Sultan Financial Hesperia, LLC. (a California limited liability corporation). This agreement constitutes the sale of land sold by the Commission to Sultan Financial Hesperia, LLC for a loan amount of \$270,000. The agreement is secured by a deed of trust on the property. The term of the note is 10 years at a permanent interest rate of 5.505%. Sultan Financial Hesperia, LLC. will make annual payments of interest only at the end of each of the first nine (9) years. At the end of the tenth (10th) year, Sultan Financial Hesperia, LLC. will make a payment of the outstanding principal and remaining accrued interest, unless there is an occurrence of an Event of Acceleration. The balance was paid off during the fiscal year.

g. Verma Petroleum, Inc.

In July 2015, the City approved a forgivable loan agreement with Verma Petroleum, Inc. for an amount not to exceed \$150,000 for the design and development of a 6,385 square foot fuel and convenience store with ancillary retail space of an additional 3,485 square feet located at the northeast corner of Main and Cottonwood, funded through US Department of Housing and Urban Development (HUD) CDBG Section 108 funds. The loan created five (5) full-time jobs and the City has purchased a five-year Operating Covenant through providing this forgivable loan. The balance of this loan at June 30, 2020, was \$42,161.

h. 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 fifty-five years, with the option of extending the term up to twenty-five years; the option must be exercised between the fifty-third year and fifty-fourth year. The loan shall bear interest at a rate of two percent (2%). The agreement is secured by a deed of trust on the property. Accrued interest on the note through June 30, 2020, is \$305,278. The balance of the loan outstanding at June 30, 2020, was \$4,137,253. Any unpaid balance is due and payable at the maturity date.

i. 16351 Live Oak

In June 2020, the City entered into a loan agreement for a sale of property for a loan amount of \$86,950. The agreement is secured by a deed of trust on the property. The term of the note is 30 years at zero interest. The balance at June 30, 2020 was \$86,950.

4. CAPITAL ASSETS

Depreciation expense was allocated as follows for the year ended June 30, 2020:

Governmental activities:	
General government	\$ 430,736
Public safety	75,307
Development services	9,199,737
Total depreciation expense - governmental activities	<u>\$ 9,705,780</u>
Business-type activities:	
Water	\$ 3,207,913
Sewer	256,010
Total depreciation expense - business-type activities	<u>\$ 3,463,923</u>

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Governmental activities:				
Capital Assets, not being depreciated:				
Land	\$ 5,834,745	\$ 169,446	\$ (151,502)	\$ 5,852,689
Water rights	36,413,793	-	-	36,413,793
Construction in progress	8,205,647	2,254,539	(2,587,169)	7,873,017
Total capital assets, not being depreciated	<u>50,454,185</u>	<u>2,423,985</u>	<u>(2,738,671)</u>	<u>50,139,499</u>
Capital Assets being depreciated:				
Land Improvements	6,135,439	-	-	6,135,439
Vehicles	3,272,754	153,591	(266,747)	3,159,598
Buildings and improvements (A)	48,573,520	-	-	48,573,520
Machinery and equipment	5,408,705	37,987	(322,209)	5,124,483
Infrastructure (A)	198,656,441	2,587,169	-	201,243,610
Total capital assets, being depreciated	<u>262,046,859</u>	<u>2,778,747</u>	<u>(588,956)</u>	<u>264,236,650</u>
Less accumulated depreciation for:				
Land improvements	(1,575,435)	(147,386)	-	(1,722,821)
Vehicles	(2,822,319)	(65,026)	218,860	(2,668,485)
Buildings and improvements (A)	(2,002,201)	(983,644)	-	(2,985,845)
Machinery and equipment	(4,134,547)	(184,431)	320,037	(3,998,941)
Infrastructure (A)	(119,970,363)	(8,325,293)	-	(128,295,656)
Total accumulated depreciation	<u>(130,504,865)</u>	<u>(9,705,780)</u>	<u>538,897</u>	<u>(139,671,748)</u>
Total capital assets, being depreciated, net	<u>131,541,994</u>	<u>(6,927,033)</u>	<u>(50,059)</u>	<u>124,564,902</u>
Governmental-type activities capital assets, net	<u>\$ 181,996,179</u>	<u>\$ (4,503,048)</u>	<u>\$ (2,788,730)</u>	<u>\$ 174,704,401</u>

(A) Beginning balance was adjusted to reclassify cost of \$28,934,847 and a related accumulated depreciation of \$8,680,454 from building and improvements to infrastructure.

4. CAPITAL ASSETS (Continued)

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,356,808	\$ -	\$ -	\$ 3,356,808
Water rights	15,611,810	-	-	15,611,810
Construction in progress	12,019,313	3,530,717	(13,287,596)	2,262,434
Total capital assets, not being depreciated	30,987,931	3,530,717	(13,287,596)	21,231,052
Capital assets being depreciated:				
Land improvements	722,281	-	(188,113)	534,168
Vehicles	2,478,175	63,391	(423,717)	2,117,849
Machinery and equipment	5,580,658	110,822	(215,548)	5,475,932
Buildings and improvements	4,509,810	-	-	4,509,810
Water facilities	127,552,244	13,286,896	-	140,839,140
Sewer facilities	7,137,408	-	-	7,137,408
Total capital assets, being depreciated	147,980,576	13,461,109	(827,378)	160,614,307
Less accumulated depreciation for:				
Land improvements	(658,167)	(9,431)	133,431	(534,167)
Vehicles	(2,145,297)	(65,466)	423,717	(1,787,046)
Buildings and improvements	(4,260,511)	(14,377)	-	(4,274,888)
Machinery and equipment	(4,539,261)	(133,271)	215,548	(4,456,984)
Water facilities	(63,665,433)	(3,062,625)	-	(66,728,058)
Sewer facilities	(4,595,662)	(178,753)	-	(4,774,415)
Total accumulated depreciation	(79,864,331)	(3,463,923)	772,696	(82,555,558)
Total capital assets, being depreciated, net	68,116,245	9,997,186	(54,682)	78,058,749
Business-type activities capital assets, net	\$ 99,104,176	\$ 13,527,903	\$ (13,342,278)	\$ 99,289,801

5. LONG-TERM DEBT

Following is a summary of the changes in principal balance of long-term debt for the year ended June 30, 2020:

	Principal Balance at June 30, 2019	Additions	Deductions	Principal Balance at June 30, 2020	Due Within One Year
Governmental Activities:					
Direct borrowings:					
Loans	\$ 16,886,163	\$ -	\$ (1,876,240)	\$ 15,009,923	\$ 1,876,240
Other Debt:					
Revenue Bonds	34,505,000	-	(985,000)	33,520,000	1,040,000
Less deferred amounts:					
Bond premiums	87,716	-	(3,746)	83,970	-
Bond discounts	(239,284)	-	11,754	(227,530)	-
Total Revenue Bonds	34,353,432	-	(976,992)	33,376,440	1,040,000
Other long-term liabilities					
Compensated absences	719,952	64,392	-	784,344	752,970
Claims payable	2,252,926	692,599	-	2,945,525	1,414,000
Total governmental activity	\$ 54,212,473	\$ 756,991	\$ (2,853,232)	\$ 52,116,232	\$ 5,083,210
Business-type activities:					
Direct borrowings:					
Loans	\$ 4,099,013	\$ 1,961,561	\$ -	\$ 6,060,574	\$ 179,243
Other Debt:					
Revenue Bonds	6,410,000	-	(875,000)	5,535,000	830,000
Less deferred amounts:					
Bond discounts	(45,100)	-	6,443	(38,657)	-
Total Revenue Bonds	6,364,900	-	(868,557)	5,496,343	830,000
Other long-term liabilities					
Compensated absences	241,093	49,396	-	290,489	255,630
Claims payable	730,375	-	(253,062)	477,313	88,000
Total business-type activity	\$ 11,435,381	\$ 2,010,957	\$ (1,121,619)	\$ 12,324,719	\$ 1,352,873
Entity-wide total	\$ 65,647,854	\$ 2,767,948	\$ (3,974,851)	\$ 64,440,951	\$ 6,436,083

5. LONG-TERM DEBT (Continued)

Governmental long-term debt June 30, 2020, is composed of the following:

2012 Lease Revenue Bonds Water Rights Acquisition

Balance at
June 30, 2020

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 initially bears interest at 0.500% to 3.625% fixed rate. 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, 2020, a total of \$1,455,118 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 \$1,438,675 during fiscal year ended June 30, 2020.

\$22,725,000

2013 Refunding of the 2005 Variable Certificates of Participation

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 the original principal amount of the bonds; (2) 125% of the average annual debt service payments; or (3) the maximum annual debt service payments assuming available rate of 0.35% on the outstanding certificates. The pledged rental payments equaled the debt service of \$832,250 during fiscal year ended June 30, 2020, and a total of \$1,152,102 was held in reserve at year-end.

\$10,795,000

5. LONG-TERM DEBT (Continued)

Governmental long-term debt June 30, 2020, is composed of the following (continued):

2018 San Bernardino County Transportation Authority Loan

Balance at
June 30, 2020

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 bears interest at variable rates based on the December quarterly Local Agency Investment Fund (LAIF). The issue matures in 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 15th of each fiscal year.

\$15,009,923

Compensated absences

784,344

Claims payable

2,945,525

Subtotal Governmental Long-Term Debt

52,259,792

Less: Net deferred amounts on bonds

(143,560)

Total Governmental Long-Term Debt Before Current Portion

52,116,232

Less: Current Portion – Due Within One Year

(5,083,210)

Total Long-Term Portion of Governmental Debt

\$ 47,033,022

The business-type long-term debt as of June 30, 2020, is as follows:

1998A Variable Rate Lease Revenue Refunding Bonds

Balance at
June 30, 2020

The District issued 28-year variable rate lease revenue refunding bonds on July 2, 1998 for \$18,040,000 to refund a 1991, \$17,675,000 Certificate of Participation issue. The 1991 Certificate of participation is considered defeased; therefore, the issue is not included in the District's financial statements. The bonds require the District to collect gross revenues, as defined in the agreement, of at least 125% of the annual debt service of the bonds and any parity debt of the District. The District is legally required to make principal and interest payments from the net revenues of the District. The 1998A issue has an initial interest rate of 5.95%, and weekly variable rates thereafter until the fixed rate conversion date, with maturities through the year 2026, ranging from \$435,000 to \$1,105,000. The 1998A bonds were issued at a discount of \$180,400, which is being amortized over the life of the 1998A Bonds. The difference between the reacquisition price and the net carrying value of the 1991 Certificate of Participation, \$1,906,482, has been deferred and is being amortized over the remaining life of the Bonds as a component of interest expense. In June 2004, the District entered into a variable-to-fixed-interest rate swap with Bank of America, N.A. The swap requires Bank of America, N.A. to pay the variable rate while fixing the District rate at 5.96%. The agreement provides up to \$10,000,000 which is fixed at 5.96%. The swap ended at June 1, 2020.

\$5,535,000

5. LONG-TERM DEBT (Continued)

The business-type long-term debt as of June 30, 2020, is as follows (continued):

State Revolving Fund Loan

Balance at
June 30, 2020

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 during the fiscal year and total draws amounted to \$6,012,919. Capitalized interest of \$47,655 was added to the principal.

\$6,060,574

Compensated absences	290,489
Claims payable	<u>477,313</u>
Subtotal Business-Type Long-Term Debt	12,363,376
Less: Bond Discounts	<u>(38,657)</u>
Total Business-Type Long-Term Debt Before Current Portion	12,324,719
Less: Current Portion – Due Within One Year	<u>(1,352,873)</u>
Total Long-Term Portion of Business-Type Debt	<u>\$ 10,971,846</u>

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

Governmental				Business-Type			
Fiscal Year Ending	Principal	Interest	Total	Fiscal Year Ending	Principal	Interest	Total
2021	1,040,000	1,252,725	2,292,725	2021	830,000	130,626	960,626
2022	1,095,000	1,210,625	2,305,625	2022	865,000	111,038	976,038
2023	1,155,000	1,166,225	2,321,225	2023	900,000	90,624	990,624
2024	1,220,000	1,125,125	2,345,125	2024	940,000	69,384	1,009,384
2025	1,275,000	1,087,053	2,362,053	2025	980,000	47,200	1,027,200
2026-2030	7,340,000	4,751,853	12,091,853	2026-2030	1,020,000	24,072	1,044,072
2031-2035	9,385,000	3,192,304	12,577,304	2031-2035	-	-	-
2036-2040	6,955,000	1,335,144	8,290,144	2036-2040	-	-	-
2041-2043	4,055,000	223,935	4,278,935	2041-2043	-	-	-
	<u>\$ 33,520,000</u>	<u>\$ 15,344,988</u>	<u>\$ 48,864,988</u>		<u>\$ 5,535,000</u>	<u>\$ 472,944</u>	<u>\$ 6,007,944</u>

The 2012 Revenue Bonds and the 2013 Refunding Bonds are at a fixed rate.

5. LONG-TERM DEBT (Continued)

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

Governmental				Business-Type			
Fiscal Year Ending	Principal	Interest	Total	Fiscal Year Ending	Principal	Interest	Total
2021	\$ 1,876,240	\$ 247,514	\$ 2,123,754	2021	\$ 179,243	\$ 55,394	\$ 234,637
2022	1,876,240	216,574	2,092,814	2022	175,823	58,813	234,636
2023	1,876,240	185,635	2,061,875	2023	177,581	57,055	234,636
2024	1,876,240	154,696	2,030,936	2024	179,357	55,279	234,636
2025	1,876,240	123,757	1,999,997	2025	181,150	53,486	234,636
2026-2030	5,628,723	185,635	5,814,358	2026-2030	933,289	239,891	1,173,180
2031-2035	-	-	-	2031-2035	980,894	192,286	1,173,180
2036-2040	-	-	-	2036-2040	1,030,930	142,250	1,173,180
2041-2045	-	-	-	2041-2045	1,083,519	89,661	1,173,180
2046-2050	-	-	-	2046-2050	1,138,788	34,391	1,173,179
	<u>\$ 15,009,923</u>	<u>\$ 1,113,811</u>	<u>\$ 16,123,734</u>		<u>\$ 6,060,574</u>	<u>\$ 978,506</u>	<u>\$ 7,039,080</u>

Rate used for the Governmental loan payable was 1.649%, which is equal to average LAIF rate as of June 30, 2020.

6. 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, 2020:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 1,199,234	Community Development Commission	\$ 604,178
		Development Impact Fees - Public Services	181,929
		Hesperia Housing Authority	17
		Other Governmental Funds	413,110
Development Impact Fee-Streets	10,218	General Fund	1,672
		Other Governmental Funds	3,092
		Sewer Operations and Capital	5,454
Community Development Commission	41,254	General Fund	470
		Other Governmental Funds	40,784
Other Governmental Funds	152,116	General Fund	21,398
		Community Development Commission	36,724
		Other Governmental Funds	93,990
		Water Operations and Capital	4
Total due from other funds	<u>\$ 1,402,822</u>	Total due to other funds	<u>\$ 1,402,822</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.

6. INTERFUND TRANSACTIONS (Continued)

a. Due From/Due To (Continued)

The Sewer Operations and Capital Fund provided temporary cash advances to the Water Operations and Capital Fund to provide temporary funds to cover operating expenses.

b. Current Interfund Transfers

Transfers In	Amount	Transfers in	Amount
General Fund	\$ 644,400	Other Governmental Funds	\$ 644,400
Community Development Commission	430,299	General Fund	430,299
Other Governmental Funds	7,472,071	General Fund	2,942,086
		Developer Impact Fees-Public Services	730,064
		Other Governmental Funds	3,799,921
Total transfers out	<u>\$ 8,546,770</u>	Total transfers in	<u>\$ 8,546,770</u>

The transfer of \$644,400 between the General Fund and Other Governmental Funds (AB 3229 State COPS Program Fund) was to offset some of the cost for Deputy Sheriffs.

The transfer of \$430,299 from the General Fund to the Community Development Commission Fund was to cover the Community Development Commissions operating losses.

The transfer of \$1,394,000 from the General Fund to Other Governmental funds (Fire District) is to fund the CalPERS obligation of the Hesperia Fire Protection District.

Transfer of \$1,428,376 between the General Fund and Other Governmental funds (2012 Water Rights Acquisition Fund) was for debt service of the 2012 Water Rights Acquisition bonds.

Transfer of \$160,074 from the General Fund to Other Governmental Funds (City Facilities CIP Fund) was for the completion of the Animal Control Facility remodel.

The transfer of \$836,750 between the General Fund (\$106,686) and Development Impact Fees-Public Services fund (\$730,064) to Other Governmental Funds (2013 Refunding of Lease Revenue Bonds Fund) was for the debt service pertaining to the refunding of the 2005 Variable Rate Certificates of Participation.

The transfer of \$3,771,891 funded by Other Governmental Funds (Measure I Renewal Fund for \$1,370,000, Gas Tax Fund for \$1,300,000, Gas Tax Swap Fund for \$900,000 and Article 8 for \$201,891) to the Other Governmental Funds (Streets Maintenance Fund) was for local street maintenance costs.

6. INTERFUND TRANSACTIONS (Continued)

c. Committed Loan Interfund Transfers

The 2013 Refunding of the 2005 Variable Certificates of Participation requires 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. To meet this requirement, the General Fund loaned \$350,000 to the DIF – Public Services fund during the fiscal year ending on June 30, 2020. This loan is ongoing until there is sufficient funding in the DIF – Public Services fund. The issue bears quarterly variable interest based on the Local Agency Investment Fund Quarterly Apportionment Rate, which at June 30, 2020, had a rate of 1.47%. Through June 30, 2020, the DIF – Public Services fund has paid \$59,289 of interest to the General Fund. The total at June 30, 2020, is \$3,146,324.

7. 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 5 years of services. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for nonduty disability benefits after 5 years of service. 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.

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

a. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2019, are summarized as follows:

	Miscellaneous		Safety
	Prior to January 1, 2013	On or After January 1, 2013	
Hire date			
Benefit formula	2.7%@55	2%@62	2%@50
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 - 67+	50-55+
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	2.0% to 2.7%
Required employee contribution rates (1)	8.000%	6.250%	0.000%
Required employer contribution rates:			
Normal cost rate	12.212%	6.842%	0.000%
Payment of unfunded liability	\$ 1,235,541	\$ 3,866	\$ 777,035

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. 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.

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

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

As of June 30, 2020, 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	\$15,902,106	\$ 5,802,661	\$ 201,457	\$21,906,224
Safety	-	-	9,099,019	9,099,019
Total Net Pension Liability	\$15,902,106	\$ 5,802,661	\$ 9,300,476	\$31,005,243

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, 2019, 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, 2018, rolled forward to June 30, 2019, 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, 2018 and 2019, was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2018	0.53676%	0.14946%
Proportion - June 30, 2019	0.54704%	0.14576%
Change - Increase (Decrease)	0.01028%	-0.00371%

The City recognized pension expense of \$4,653,291 and \$1,258,488 for the fiscal year ended June 30, 2020, for miscellaneous and safety plan, respectively and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total		Miscellaneous - City		Miscellaneous - Water District		Miscellaneous - Fire		Safety - Fire	
	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Pension contributions subsequent to measurement date	\$3,558,960	\$ -	\$2,023,150		\$ 661,300	\$ -	\$ 21,006	\$ -	\$ 853,504	\$ -
Differences between actual and expected experience	2,115,564	(117,884)	1,104,469	(85,574)	403,019	(31,226)	13,992	(1,084)	594,084	-
Change in assumptions	1,417,543	(443,079)	758,286	(268,806)	276,698	(98,087)	9,606	(3,405)	372,953	(72,781)
Change in employer's proportion	423,677	(406,644)	159,929	(129,135)	229,697		-	(14,004)	34,051	(263,505)
Change in differences between the employer's contributions and the employer's proportionate share of contributions	-	(766,228)	(3,501)	(134,134)	-	(264,546)	3,501	(433)	-	(367,115)
Net differences between projected and actual earnings on plan investments	-	(508,161)		(278,019)	-	(101,448)	-	(3,522)	-	(125,172)
Total	\$7,515,744	\$ (2,241,996)	\$4,042,333	\$ (895,668)	\$1,570,714	\$ (495,307)	\$ 48,105	\$ (22,448)	\$1,854,592	\$ (828,573)

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

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

\$3,558,960 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Miscellaneous			
	City	Water District	Fire District	Safety - Fire
2021	\$ 1,159,338	\$ 407,723	\$ 8,450	\$ 302,274
2022	(228,691)	(61,580)	(5,576)	(173,849)
2023	136,680	47,465	1,070	19,735
2024	56,188	20,499	707	24,355
2025	-	-	-	-
Thereafter	-	-	-	-

Actuarial Assumptions

The total pension liability for the June 30, 2019, measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increase	(1)	(4)
Mortality Rate Table	(2)	(2)
Post-Retirement Benefit Increase	(3)	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 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 December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

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

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

The expected real rates of return by assets class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; and inflation assets are included in both global equity securities and global debt securities.

(b) An expected inflation of 2.0% was used for this period.

(c) An expected inflation of 2.92% was used for this period.

7. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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.

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	6.15%	6.15%	6.15%	6.15%
Net Pension Liability	\$24,249,584	\$ 9,105,950	\$ 283,459	\$13,430,256
Current Discount Rate	7.15%	7.15%	7.15%	7.15%
Net Pension Liability	\$15,902,106	\$ 5,802,661	\$ 201,457	\$ 9,099,019
1% Increase	8.15%	8.15%	8.15%	8.15%
Net Pension Liability	\$ 9,011,851	\$ 3,076,030	\$ 133,770	\$ 5,548,083

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, 2020, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

8. OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description

The City provides other post-employment benefits (OPEB) through a single-employer defined benefit health-care plan. 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, 2019, 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	34
Inactive employees entitled to but not yet receiving benefits	60
Active employees	169
Total	<u>263</u>

Contributions

Contribution requirements are established by City policy and may be amended by the City Council. For the measurement period June 30, 2019, the City made \$57,878 contributions in the form of premium payments, \$76,094 in implicit subsidy benefit payments for a total contribution of \$133,972.

Total OPEB Liability

The City's OPEB liability of \$4,864,443 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2019, 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, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	2.75%
Projected Salary Increase	Aggregate - 3.00%
Health-Care Cost Trend Rates	Non-Medicare 7.25% for 2021, decreasing to 4.0% in 2076, Medicare 6.3% for 2021, decreasing to 4.0% in 2076
Mortality, Retirement, Disability, Termination	Derived from 2017 CalPERS 1997-2015 experience study.

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 3.50%.

Change in Assumption

Discount rate was changed from 3.87% to 3.50%.

Changes in total OPEB Liability

The change in total OPEB liability are as follows:

Balance at June 30, 2018	
(Measurement Date)	<u>\$ 4,263,693</u>
Changes in the Year:	
Service cost	288,411
Interest on the total OPEB liability	173,575
Changes in assumptions	272,736
Benefit payments	<u>(133,972)</u>
Net Changes	<u>600,750</u>
Balance at June 30, 2019	
(Measurement Date)	<u><u>\$ 4,864,443</u></u>

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 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	<u>\$ 5,735,996</u>	<u>\$ 4,864,443</u>	<u>\$ 4,178,016</u>

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 health-care cost trend rates that are 1-percentage point lower or 1 percentage point higher than the current health-care cost trend rates:

	1% Decrease Non-Medicare 6.25% decreasing to 3.0% Medicare 5.3% decreasing to 3.0%	Current Health-Care Cost Trend Rates Non-Medicare 7.25% decreasing to 4.0% Medicare 6.3% decreasing to 4.0%	1% Increase Non-Medicare 8.25% decreasing to 5.0% Medicare 7.3% decreasing to 5.0%
Total OPEB Liability	<u>\$ 4,040,592</u>	<u>\$ 4,864,443</u>	<u>\$ 5,945,415</u>

8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$152,862. At June 30, 2020, 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 contributions subsequent to measurement date	\$ 147,736	\$ -
Differences between actual and expected experience	-	(832,653)
Change in proportion	151,821	(151,821)
Change in assumptions	241,743	(1,120,057)
Total	<u>\$ 541,300</u>	<u>\$ (2,104,531)</u>

\$147,736 reported as deferred outflows of resources resulting from City's contributions subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. 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
2021	\$ (309,816)
2022	(309,816)
2023	(309,816)
2024	(309,816)
2025	(309,814)
Thereafter	(161,889)

9. FUND DISCLOSURE

Development Impact Fees – Public Services has a year ending negative fund balance of \$3,328,253, which will be corrected by future developer impact fee revenue or transfers from General Fund. Due to the timing of grant reimbursements, the Community Development Block Grant fund has a year ending deficit of \$14,770, which will be eliminated during FY 20-21. The City Projects fund has a deficit of \$296,903 at year-end from a project that will be reimbursed when completed.

10. 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.

10. 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 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 CSAC Excess Insurance Authority (CSAC-EIA) by PERMA on behalf of the City.

Property

The City is self-insured for the first \$5,000 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 Lexington Insurance Co.

Auto Physical Damage

The City is self-insured for the first \$2,500 for each occurrence for all vehicles and the difference between the City's \$2,500 self-insurance retention and the lesser of \$100,000 or the insurable value is covered by AIG/Lexington Insurance Co.

Special Events

The City is insured up to \$1,000,000 for each occurrence covered by Alliant Insurance Services, Inc.

10. SELF-INSURANCE RISK POOL (Continued)

Cyber Liability

The City is self-insured up to \$5,000 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 \$5,000 self-insurance retention and the lesser of \$2,000,000 (\$250,000 for privacy notification costs) is covered by PERMA as insured by Alliant Insurance Services, Inc.

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 National Union Fire Insurance Company.

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, 2020 and 2019, is as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2020
Unpaid Claims, Beginning of Fiscal Year	\$ 2,650,687	\$ 2,983,301
Incurred Claims	656,914	717,592
Claim Payments	(324,300)	(278,055)
Unpaid Claims, End of Fiscal Year	<u>\$ 2,983,301</u>	<u>\$ 3,422,838</u>

The Unpaid claims of \$3,422,838 above are a component of long-term debt (Note 5). It is anticipated that \$1,502,000 will be due within one year.

11. JOINTLY GOVERNED ORGANIZATIONS

Victor Valley Wastewater Reclamation Authority

The City is a member of the Victor Valley Wastewater Reclamation Authority (VWVRA), 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 VWVRA is made up of representatives from each significant participant in VWVRA. Budgeting and financing are the responsibility of VWVRA. The audited financial statements of VWVRA can be obtained by request from P.O. Box 1481, Victorville, CA 92393.

11. 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 & 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.

12. SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT

Community Facilities District (CFD 2005-1)

On December 18, 2014, the 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, 2020, the reserve funds equal \$1,432,958. At June 30, 2020, principal amount due on the bonds is \$15,935,000.

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, 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.

13. 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	\$ 24,770,319
Less: Costs Incurred in 2019-20	(4,043,062)
Remaining Contractual Obligations	<u>\$ 20,727,257</u>

Covid-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus (the "COVID-19 outbreak") and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The City's operations are heavily dependent on the ability to raise sales taxes, property taxes and transient occupancy taxes and assess business licenses, developer fees and construction permits. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress the tax bases and other areas in which the City receives revenue during fiscal year 2021. The outbreak could also have other potential impacts, including disruptions or restrictions on employees' ability to work. As such, this may hinder the ability for the City to meet the needs of its constituents. The City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the City's results of future operations and financial position in fiscal year 2021.

14. 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:

Cash and Investments

Cash and investments reported in the accompanying Successor Agency of the Former RDA financial statements consisted of the following:

Cash and investments	\$ 8,651,350
Cash and investments with fiscal agent	1,014
Total cash and investments	<u>\$ 8,652,364</u>

Notes Receivable

The Hesperia Recreation and Park District (HRPD) initially borrowed \$2,160,245 for half the construction costs of the Civic Park Plaza. Through June 30, 2020, the amount owed to has been reduced by \$1,139,137 to \$1,021,108.

Land Held For Resale

Value of land at June 30, 2020, is \$2,495,015.

Accrued Interest Receivable

Accrued fiscal agent and LAIF interest totaling \$19,394 at June 30, 2020.

Accrued Interest Payable

Accrued interest payments on debt totaled \$1,466,805 at June 30, 2020.

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, 2020:

	Principal Balance at June 30, 2019	Additions	Deductions	Principal Balance at June 30, 2020	Due Within One Year
Other Debt:					
2018 Series A	70,640,000	-	-	70,640,000	-
Premium	9,737,288	-	(537,235)	9,200,053	-
2018 Series B	41,415,000	-	(5,470,000)	35,945,000	5,360,000
Discount	(428,176)	69,434	-	(358,742)	-
Total	<u>\$ 121,364,112</u>	<u>\$ 69,434</u>	<u>\$ (6,007,235)</u>	<u>\$ 115,426,311</u>	<u>\$ 5,360,000</u>

14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY
(Continued)

2018 TAX ALLOCATION BONDS SERIES A & 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. The refunding resulted in an economic gain (net present value of debt service savings) of \$18,969,228 and a reduction of \$32,940,000 in future debt service payments. 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 1st 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 1st and September 1st of each fiscal year, with bond principal payments ranging in amounts from \$2,455,000 to \$6,050,000. The Bonds has a reserve requirement of \$9,799,44 and is satisfied by a reserve policy with a statement amount \$9,799,444. The Bonds are secured by a pledge of, security interest in and lien on all the tax revenues, including all of the tax revenues in the Redevelopment Obligation Retirement Fund.

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	
2021	\$ -	\$ 3,304,069	\$ 3,304,069	
2022	-	3,304,069	3,304,069	
2023	-	3,304,069	3,304,069	
2024	-	3,304,069	3,304,069	
2025	-	3,304,069	3,304,069	
2026-2030	19,725,000	14,796,218	34,521,218	
2031-2035	30,565,000	7,818,469	38,383,469	
2036-2038	20,350,000	1,074,297	21,424,297	
	<u>\$ 70,640,000</u>	<u>\$ 40,209,329</u>	<u>\$ 110,849,329</u>	

2018 Tax Allocation Refunding Bonds Series B

Fiscal Year				
Ending	Principal	Interest	Total	
2021	\$ 5,360,000	1,052,312	\$ 6,412,312	
2022	5,520,000	889,113	6,409,113	
2023	5,685,000	717,484	6,402,484	
2024	5,865,000	537,016	6,402,016	
2025	6,050,000	347,063	6,397,063	
2026-2027	7,465,000	210,300	7,675,300	
	<u>\$ 35,945,000</u>	<u>\$ 3,753,288</u>	<u>\$ 39,698,288</u>	

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended June 30, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Fund Balance, July 1	<u>\$ 13,080,387</u>	<u>\$ 13,080,387</u>	<u>\$ 13,080,387</u>	<u>\$ -</u>
Resources (Inflows):				
Taxes	16,286,205	16,286,205	17,721,574	1,435,369
Licenses and permits	238,764	238,764	284,948	46,184
Fines and forfeitures	725,600	725,600	1,366,432	640,832
Use of money and property	143,188	143,188	184,491	41,303
Intergovernmental	11,610,875	11,610,875	11,883,595	272,720
Charges for services	2,931,161	2,931,161	3,026,004	94,843
Grants	22,760	22,760	22,760	-
Other revenues	2,557,897	2,557,897	2,908,466	350,569
Transfers from other funds	246,000	246,000	644,400	398,400
Proceeds from sale of land	-	-	124,100	124,100
	<u>34,762,450</u>	<u>34,762,450</u>	<u>38,166,770</u>	<u>3,404,320</u>
Amount Available for Appropriations				
Charges to Appropriations (Outflows):				
Current:				
General government:				
City council	902,533	902,533	942,381	(39,848)
City manager	2,864,650	2,865,353	2,627,151	238,202
Management services	4,238,398	4,334,888	4,364,749	(29,861)
Public safety - police	17,086,541	17,086,541	17,319,612	(233,071)
Development services	6,986,365	6,997,936	6,660,916	337,020
Equipment and vehicles	79,850	111,838	67,656	44,182
Transfers to other funds	2,543,861	3,324,161	3,372,385	(48,224)
	<u>34,702,198</u>	<u>35,623,250</u>	<u>35,354,850</u>	<u>268,400</u>
Total Charges to Appropriations				
Excess of Resources Over				
(Under) Charges To Appropriations	<u>60,252</u>	<u>(860,800)</u>	<u>2,811,920</u>	<u>3,672,720</u>
Fund Balance, June 30	<u>\$ 13,140,639</u>	<u>\$ 12,219,587</u>	<u>\$ 15,892,307</u>	<u>\$ 3,672,720</u>

BUDGETARY COMPARISON SCHEDULE
 DEVELOPMENT IMPACT FEES-STREETS SPECIAL REVENUE FUND
 For the year ended June 30, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Fund Balance, July 1	<u>\$ 12,288,837</u>	<u>\$ 12,288,837</u>	<u>\$ 12,288,837</u>	<u>\$ -</u>
Resources (Inflows):				
Use of money and property	124,500	124,500	75,413	(49,087)
Charges for services	2,950,723	2,950,723	379,945	(2,570,778)
Other Revenues	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>350,000</u>
Amount Available for Appropriations	<u>3,075,223</u>	<u>3,075,223</u>	<u>805,358</u>	<u>(2,269,865)</u>
Charges to Appropriations (Outflows):				
Debt service				
Interest	548,800	548,800	416,244	132,556
Principal	1,876,240	1,876,240	1,876,240	-
Capital outlay:				
Land	450,000	450,000	1,248	448,752
Infrastructure	<u>1,170,203</u>	<u>1,170,203</u>	<u>89,871</u>	<u>1,080,332</u>
Total Charges to Appropriations	<u>4,045,243</u>	<u>4,045,243</u>	<u>2,383,603</u>	<u>1,661,640</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(970,020)</u>	<u>(970,020)</u>	<u>(1,578,245)</u>	<u>(608,225)</u>
Fund Balance, June 30	<u>\$ 11,318,817</u>	<u>\$ 11,318,817</u>	<u>\$ 10,710,592</u>	<u>\$ (608,225)</u>

BUDGETARY COMPARISON SCHEDULE
 DEVELOPMENT IMPACT FEES-PUBLIC SERVICES SPECIAL REVENUE FUND
 For the year ended June 30, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Fund Balance, July 1	<u>\$ (2,564,368)</u>	<u>\$ (2,564,368)</u>	<u>\$ (2,564,368)</u>	<u>\$ -</u>
Resources (Inflows):				
Use of money and property	-	-	134	134
Charges for services	263,597	263,597	25,334	(238,263)
Transfers in	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>(350,000)</u>
Amount Available for Appropriations	<u>613,597</u>	<u>613,597</u>	<u>25,468</u>	<u>(588,129)</u>
Charges to Appropriations (Outflows):				
Debt service				
Interest	93,000	93,000	59,289	33,711
Transfers to other funds	<u>730,064</u>	<u>730,064</u>	<u>730,064</u>	<u>-</u>
Total Charges to Appropriations	<u>823,064</u>	<u>823,064</u>	<u>789,353</u>	<u>33,711</u>
Excess of Resources Under				
Charges to Appropriations	<u>(209,467)</u>	<u>(209,467)</u>	<u>(763,885)</u>	<u>(554,418)</u>
Fund Balance, June 30	<u><u>\$ (2,773,835)</u></u>	<u><u>\$ (2,773,835)</u></u>	<u><u>\$ (3,328,253)</u></u>	<u><u>\$ (554,418)</u></u>

BUDGETARY COMPARISON SCHEDULE
HESPERIA HOUSING AUTHORITY SPECIAL REVENUE FUND
For the year ended June 30, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Fund Balance, July 1	<u>\$ 12,029,561</u>	<u>\$ 12,029,561</u>	<u>\$ 12,029,561</u>	<u>\$ -</u>
Resources (Inflows):				
Use of money and property	91,475	91,475	94,365	2,890
Other revenues	<u>89,246</u>	<u>89,246</u>	<u>119,840</u>	<u>30,594</u>
Amount Available for Appropriations	<u>180,721</u>	<u>180,721</u>	<u>214,205</u>	<u>33,484</u>
Charges to Appropriations (Outflows):				
Current:				
General government:				
Development services	<u>83,360</u>	<u>83,360</u>	<u>93,723</u>	<u>(10,363)</u>
Total Charges to Appropriations	<u>83,360</u>	<u>83,360</u>	<u>93,723</u>	<u>(10,363)</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>97,361</u>	<u>97,361</u>	<u>120,482</u>	<u>23,121</u>
Excess of Resources Over				
(Under) Charges to Appropriations				
and Extraordinary item	<u>97,361</u>	<u>97,361</u>	<u>120,482</u>	<u>23,121</u>
Fund Balance, June 30	<u><u>\$ 12,126,922</u></u>	<u><u>\$ 12,126,922</u></u>	<u><u>\$ 12,150,043</u></u>	<u><u>\$ 23,121</u></u>

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT COMMISSION SPECIAL REVENUE FUND
 For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fund Balance, July 1	<u>\$ 11,214,016</u>	<u>\$ 11,214,016</u>	<u>\$ 11,214,016</u>	<u>\$ -</u>
Resources (Inflows):				
Use of money and property	14,863	14,863	29,726	14,863
Other revenues	20,000	20,000	285,030	265,030
Transfers from other funds	<u>-</u>	<u>-</u>	<u>430,299</u>	<u>430,299</u>
Amount Available for Appropriations	<u>34,863</u>	<u>34,863</u>	<u>745,055</u>	<u>710,192</u>
Charges to Appropriations (Outflows):				
Current:				
Development services	<u>529,790</u>	<u>529,790</u>	<u>457,622</u>	<u>72,168</u>
Total Charges to Appropriations	<u>529,790</u>	<u>529,790</u>	<u>457,622</u>	<u>72,168</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(494,927)</u>	<u>(494,927)</u>	<u>287,433</u>	<u>782,360</u>
Excess of Resources Over (Under) Charges to Appropriations and Extraordinary Item	<u>(494,927)</u>	<u>(494,927)</u>	<u>287,433</u>	<u>782,360</u>
Fund Balance, June 30	<u><u>\$ 10,719,089</u></u>	<u><u>\$ 10,719,089</u></u>	<u><u>\$ 11,501,449</u></u>	<u><u>\$ 782,360</u></u>



June 30, 2020

1. The City adopts budgets for the general, special revenue, debt service, and capital projects funds on a basis consistent with generally accepted accounting principles each year. The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the 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.

SCHEDULE OF THE CITY OF HESPERIA CONTRIBUTIONS

CalPERS Pension Plan

Last 10 Fiscal Years¹

	2020	2019	2018	2017	2016	2015 ¹
Contractually Required Contribution (actuarial determined)	\$ 3,558,960	\$ 3,165,637	\$ 2,668,659	\$ 2,323,999	\$ 2,141,473	\$ 2,113,264
Contributions in Relation to the Contractually Required Contribution	<u>(3,558,960)</u>	<u>(3,165,637)</u>	<u>(2,668,659)</u>	<u>(2,323,999)</u>	<u>(2,141,473)</u>	<u>(2,113,264)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll ²	\$ 11,478,590	\$ 11,080,687	\$ 10,715,391	\$ 10,377,283	\$ 10,264,387	\$ 10,558,692
Contributions as a Percentage of Covered Payroll ²	31.01%	28.57%	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 based on actual pensionable earnings reported to CalPERS during the fiscal year.**Contractually Required Contribution**

City	\$ 2,023,150	\$ 1,799,266	\$ 1,530,439	\$ 1,501,636	\$ 1,423,805	\$ 1,460,320
Fire	874,510	797,783	651,551	364,190	303,974	245,096
Water	661,300	568,588	486,669	458,173	413,694	407,848
Total	<u>\$ 3,558,960</u>	<u>\$ 3,165,637</u>	<u>\$ 2,668,659</u>	<u>\$ 2,323,999</u>	<u>\$ 2,141,473</u>	<u>\$ 2,113,264</u>

Contributions in Relation to the Contractually Required Contribution

City	\$ (2,023,150)	\$ (1,799,266)	\$ (1,530,439)	\$ (1,501,636)	\$ (1,423,805)	\$ (1,460,320)
Fire	(874,510)	(797,783)	(651,551)	(364,190)	(303,974)	(245,096)
Water	(661,300)	(568,588)	(486,669)	(458,173)	(413,694)	(407,848)
Total	<u>\$ (3,558,960)</u>	<u>\$ (3,165,637)</u>	<u>\$ (2,668,659)</u>	<u>\$ (2,323,999)</u>	<u>\$ (2,141,473)</u>	<u>\$ (2,113,264)</u>

District's Covered Payroll²

City	\$ 8,164,228	\$ 7,966,756	\$ 7,644,473	\$ 7,455,214	\$ 7,408,225	\$ 7,672,349
Fire	-	-	-	-	-	-
Water	3,314,362	3,113,931	3,070,918	2,922,069	2,856,162	2,886,343
Total	<u>\$ 11,478,590</u>	<u>\$ 11,080,687</u>	<u>\$ 10,715,391</u>	<u>\$ 10,377,283</u>	<u>\$ 10,264,387</u>	<u>\$ 10,558,692</u>

Contributions as a Percentage of Covered Payroll²

City	11.06%	10.31%	9.05%	6.72%	6.38%	5.88%
Fire	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	19.95%	18.26%	15.85%	15.68%	14.48%	14.13%
Total	<u>31.01%</u>	<u>28.57%</u>	<u>24.90%</u>	<u>22.40%</u>	<u>20.86%</u>	<u>20.01%</u>
	31.01%	28.57%	24.90%	22.40%	20.86%	20.01%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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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	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.15% (3)	7.15% (3)	7.15% (3)	7.65% (3)	7.65% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(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 six years are shown.

**SCHEDULE OF THE CITY OF HESPERIA
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS Pension Plan
Last 10 Fiscal Years¹**

	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)	0.30%	0.30%	0.30%	0.30%	0.30%	0.27%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 31,005,243	\$ 28,998,736	\$ 29,486,418	\$ 25,738,730	\$ 20,701,260	\$ 16,898,127
City's Covered Payroll ²	\$ 11,080,687	\$ 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	279.81%	270.63%	284.14%	250.76%	196.06%	155.06%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%
City's Proportionate Share of Aggregate Employer Contributions ^{3,4}	\$ 3,693,776	\$ 3,242,106	\$ 2,824,836	\$ 2,541,191	\$ 2,399,866	\$ 1,868,482

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

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

³ The City's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The City's proportionate share of aggregate contributions is based on the City's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the City's pension expense.

**SCHEDULE OF THE CITY OF HESPERIA
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Continued)**

	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)						
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City	0.16%	0.15%	0.15%	0.15%	0.16%	0.15%
Fire	0.09%	0.09%	0.09%	0.09%	0.09%	0.08%
Water	0.06%	0.05%	0.05%	0.05%	0.05%	0.04%
Total	0.30%	0.30%	0.30%	0.30%	0.30%	0.27%
City's Proportionate Share of the Net Pension Liability/(Asset)						
City	\$ 15,902,106	\$ 14,804,711	\$ 15,286,280	\$ 13,359,519	\$ 11,061,479	\$ 9,365,868
Fire	9,300,476	8,966,891	8,915,040	7,897,864	6,246,032	5,000,861
Water	5,802,661	5,227,134	5,285,098	4,481,347	3,393,749	2,531,398
Total	\$ 31,005,243	\$ 28,998,736	\$ 29,486,418	\$ 25,738,730	\$ 20,701,260	\$ 16,898,127
City's Covered-Employee Payroll²						
City	\$ 7,966,756	\$ 7,644,473	\$ 7,455,214	\$ 7,408,225	\$ 7,672,349	\$ 7,950,880
Fire	-	-	-	-	-	-
Water	3,113,931	3,070,918	2,922,069	2,856,162	2,886,343	2,947,053
Total	\$ 11,080,687	\$ 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-Employee Payroll²						
City	93.46%	100.42%	103.27%	93.86%	78.48%	69.16%
Fire	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	186.35%	170.21%	180.87%	156.90%	117.58%	85.90%
Total	279.81%	270.63%	284.14%	250.76%	196.06%	155.06%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability						
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Miscellaneous	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%
Safety	73.37%	73.39%	71.74%	72.69%	77.27%	78.83%
Total (CalPERS Plan Overall)	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%
Total Pension Liability						
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Miscellaneous	\$ 17,984,188,264	\$ 16,891,153,209	\$ 16,016,547,402	\$ 14,397,353,530	\$ 13,639,503,084	\$ 13,110,948,452
Safety	23,442,265,225	22,053,702,155	21,144,800,930	18,961,274,094	18,131,714,318	17,719,018,179
Total	\$ 41,426,453,489	\$ 38,944,855,364	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Fiduciary Net Position Allocation Basis						
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Miscellaneous	\$ 13,979,687,268	\$ 13,122,440,092	\$ 12,074,499,781	\$ 10,923,476,287	\$ 10,896,036,068	\$ 10,639,461,174
Safety	17,199,726,799	16,186,149,467	15,169,595,595	13,782,056,004	14,011,269,803	13,968,041,341
Total	\$ 31,179,414,067	\$ 29,308,589,559	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Net Pension Liability						
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Miscellaneous	\$ 4,004,500,996	\$ 3,768,713,117	\$ 3,942,047,621	\$ 3,473,877,243	\$ 2,743,467,016	\$ 2,471,487,278
Safety	6,242,538,426	5,867,552,688	5,975,205,335	5,179,218,090	4,120,444,515	3,750,976,838
Total	\$ 10,247,039,422	\$ 9,636,265,805	\$ 9,917,252,956	\$ 8,653,095,333	\$ 6,863,911,531	\$ 6,222,464,116
City's Proportionate Share of Aggregate Employer Contributions^{3a}						
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City	\$ 1,912,668	\$ 1,649,697	\$ 1,490,171	\$ 1,285,349	\$ 1,176,476	\$ 857,352
Fire	1,003,912	932,510	739,794	714,904	711,616	625,338
Water	777,196	659,899	594,871	540,938	511,774	385,792
Total	\$ 3,693,776	\$ 3,242,106	\$ 2,824,836	\$ 2,541,191	\$ 2,399,866	\$ 1,868,482

Notes to Required Supplementary Information
for the Year Ended June 30, 2020

Changes of Benefit Terms:

There were no changes in benefits.

Changes of Assumptions:

From fiscal year June 30, 2015 to June 30, 2016: GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From Fiscal Year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From Fiscal Year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From Fiscal Year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From Fiscal Year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

Fiscal year end	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability:			
Service cost	\$ 288,411	\$ 460,080	\$ 525,744
Interest on total OPEB liability	173,575	218,560	180,260
Changes in assumptions	272,736	(879,140)	(737,126)
Differences between actual and expected experience	-	(1,110,203)	-
Benefit payments, including refunds of employee contributions	(133,972)	(141,079)	(105,112)
Net Change in Total OPEB Liability	600,750	(1,451,782)	(136,234)
Total OPEB Liability - Beginning of Year	<u>4,263,693</u>	<u>5,715,475</u>	<u>5,851,709</u>
Total OPEB Liability - End of Year (a)	<u><u>\$ 4,864,443</u></u>	<u><u>\$ 4,263,693</u></u>	<u><u>\$ 5,715,475</u></u>
Covered - employee payroll	\$ 11,080,687	\$ 10,715,391	\$ 10,377,283
Net OPEB liability as percentage of covered - employee payroll	43.90%	39.79%	55.08%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year 2018 to 2019.

Discount rate was changed from 3.58% to 3.87%

From fiscal year 2019 to 2020.

Discount rate was changed from 3.87% to 3.50%

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

SPECIAL REVENUE FUNDS

The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Individual Special revenue funds are as follows:

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 32S.

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.

Fire District - To account for transactions related to the obligations of the District's former personnel.

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.

Development Impact Fees - Streets - To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's streets.

Development Impact Fees - Storm Drainage - 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 – 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 – City Hall Facilities – 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 – 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 – Storage Records – 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.

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

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

SPECIAL REVENUE FUNDS (Continued)

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.

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.

DEBT SERVICE FUNDS

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, 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 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 the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Individual Capital Project funds are as follows:

City Projects - To account for funds designated for various capital projects throughout the City.

Fire Capital - To account for the funds restricted for capital purchases of the Hesperia Fire Protection District.

City Facilities Projects - To account for funds designated for various capital projects for the repair to and construction of various City buildings.

SCHEDULE OF COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds			
	Fire District	Measure I Renewal	Gas Tax	Gas Tax Swap
Assets				
Cash and cash equivalents	\$ 1,824,291	\$ 5,519,424	\$ 121,433	\$ 19,564
Restricted investments	-	-	-	-
Accounts receivable	-	-	-	-
Accrued interest	-	15,679	-	41
Notes receivable	-	-	-	-
Allowance for notes receivable	-	-	-	-
Due from other governmental agencies	-	442,890	127,420	60,458
Due from other funds	-	9,498	-	-
Total Assets	<u>\$ 1,824,291</u>	<u>\$ 5,987,491</u>	<u>\$ 248,853</u>	<u>\$ 80,063</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ -	\$ 289,294	\$ -	\$ -
Due to other governmental agencies	-	-	-	-
Deposits	-	-	-	-
Due to other funds	-	28,548	-	-
Total Liabilities	<u>-</u>	<u>317,842</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted:				
Debt service	-	-	-	-
Transportation	-	5,669,649	248,853	80,063
Air quality	-	-	-	-
Public safety	1,824,291	-	-	-
Economic development	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>1,824,291</u>	<u>5,669,649</u>	<u>248,853</u>	<u>80,063</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,824,291</u>	<u>\$ 5,987,491</u>	<u>\$ 248,853</u>	<u>\$ 80,063</u>

Special Revenue Funds

Article 8	Gas Tax - RMRA	Community Development Block Grant	CDBG Revolving Loan	AB 3229 State COPS Program	Air Quality Management District
\$ 1,719,001	\$ 1,727,900	\$ -	\$ 366,977	\$ 134,365	\$ 30,833
-	-	-	-	-	-
-	-	-	-	-	-
4,298	4,504	-	1,023	401	86
-	-	-	42,161	-	-
-	-	-	(42,161)	-	-
-	254,862	87,007	-	-	-
-	-	35,096	-	-	-
<u>\$ 1,723,299</u>	<u>\$ 1,987,266</u>	<u>\$ 122,103</u>	<u>\$ 368,000</u>	<u>\$ 134,766</u>	<u>\$ 30,919</u>
\$ 16,902	\$ 65,582	\$ 23,231	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,348	-	113,642	-	-	7,151
<u>19,250</u>	<u>65,582</u>	<u>136,873</u>	<u>-</u>	<u>-</u>	<u>7,151</u>
-	-	-	-	-	-
1,704,049	1,921,684	-	368,000	-	-
-	-	-	-	-	23,768
-	-	-	-	134,766	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(14,770)	-	-	-
<u>1,704,049</u>	<u>1,921,684</u>	<u>(14,770)</u>	<u>368,000</u>	<u>134,766</u>	<u>23,768</u>
<u>\$ 1,723,299</u>	<u>\$ 1,987,266</u>	<u>\$ 122,103</u>	<u>\$ 368,000</u>	<u>\$ 134,766</u>	<u>\$ 30,919</u>

(Continued)

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds		
	Street Maintenance	Disaster Preparedness Grant	Environmental Programs
Assets			
Cash and cash equivalents	\$ 981,182	\$ 43,799	\$ 174,370
Restricted investments	-	-	-
Accounts receivable	2,513	-	3,748
Accrued interest	3,353	122	443
Notes receivable	-	-	-
Allowance for notes receivable	-	-	-
Due from other governmental agencies	60	-	-
Due from other funds	161	-	-
Total Assets	<u>\$ 987,269</u>	<u>\$ 43,921</u>	<u>\$ 178,561</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ 248,831	\$ -	\$ 2,237
Due to other governmental agencies	-	-	141
Deposits	-	-	-
Due to other funds	895	-	-
Total Liabilities	<u>249,726</u>	<u>-</u>	<u>2,378</u>
Fund Balances:			
Restricted:			
Debt service	-	-	-
Transportation	737,543	-	-
Air quality	-	-	-
Public safety	-	43,921	-
Economic development	-	-	-
Other purposes	-	-	176,183
Unassigned	-	-	-
Total Fund Balances	<u>737,543</u>	<u>43,921</u>	<u>176,183</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 987,269</u>	<u>\$ 43,921</u>	<u>\$ 178,561</u>

CITY OF HESPERIA

Special Revenue

Neighborhood Stabilization Program	Home Grant	Development Impact Fees- Storm Drain	Development Impact Fees- Fire	Development Impact Fees- Police	Development Impact Fees 2018 - Streets
\$ 2,363,768	\$ 298,684	\$ 3,074,576	\$ 1,402,410	\$ 21,024	\$ 4,082,309
-	-	-	-	-	-
64,691	-	-	-	-	-
6,590	830	8,580	3,907	58	10,272
86,950	13,733,155	-	-	-	-
(86,950)	(13,733,155)	-	-	-	-
1,229	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,436,278</u>	<u>\$ 299,514</u>	<u>\$ 3,083,156</u>	<u>\$ 1,406,317</u>	<u>\$ 21,082</u>	<u>\$ 4,092,581</u>
\$ 1,719	\$ -	\$ 21,540	\$ -	\$ -	\$ -
-	-	-	-	-	-
700	-	-	-	-	-
-	-	2,904	-	-	-
<u>2,419</u>	<u>-</u>	<u>24,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	3,058,712	-	-	4,092,581
-	-	-	-	-	-
-	-	-	1,406,317	21,082	-
2,433,859	299,514	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,433,859</u>	<u>299,514</u>	<u>3,058,712</u>	<u>1,406,317</u>	<u>21,082</u>	<u>4,092,581</u>
<u>\$ 2,436,278</u>	<u>\$ 299,514</u>	<u>\$ 3,083,156</u>	<u>\$ 1,406,317</u>	<u>\$ 21,082</u>	<u>\$ 4,092,581</u>

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds		
	Development Impact Fees 2018 - Drainage Facilities	Development Impact Fees 2018 - Fire Suppression	Development Impact Fees 2018 - City Hall Facilities
Assets			
Cash and cash equivalents	\$ 336,202	\$ 262,732	\$ 225,388
Restricted investments	-	-	-
Accounts receivable	-	-	-
Accrued interest	863	657	564
Notes receivable	-	-	-
Allowance for notes receivable	-	-	-
Due from other governmental agencies	-	-	-
Due from other funds	-	-	-
Total Assets	<u>\$ 337,065</u>	<u>\$ 263,389</u>	<u>\$ 225,952</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ -	\$ -	\$ -
Due to other governmental agencies	-	-	-
Deposits	-	-	-
Due to other funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted:			
Debt service	-	-	-
Transportation	337,065	-	-
Air quality	-	-	-
Public safety	-	263,389	-
Economic development	-	-	-
Other purposes	-	-	225,952
Unassigned	-	-	-
Total Fund Balances	<u>337,065</u>	<u>263,389</u>	<u>225,952</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 337,065</u>	<u>\$ 263,389</u>	<u>\$ 225,952</u>

CITY OF HESPERIA

Special Revenue				Debt Service	
Development Impact Fees 2018 - Animal Control	Development Impact Fees 2018- Records Storage	Development Impact Fees 2018- Police Facilities	VVEDA Housing Authority	2012 Water Rights Acquisition	2013 Refunding of Lease Revenue Bonds
\$ 74,481	\$ 10,896	\$ 4,305	\$ 1,805,963	\$ 57,456	\$ 49,905
-	-	-	-	1,455,118	1,152,154
-	-	-	-	-	-
182	27	11	5,141	283	97
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 74,663</u>	<u>\$ 10,923</u>	<u>\$ 4,316</u>	<u>\$ 1,811,104</u>	<u>\$ 1,512,857</u>	<u>\$ 1,202,156</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	1,512,857	1,202,156
-	-	-	-	-	-
-	-	-	-	-	-
74,663	-	4,316	-	-	-
-	-	-	1,811,104	-	-
-	10,923	-	-	-	-
-	-	-	-	-	-
<u>74,663</u>	<u>10,923</u>	<u>4,316</u>	<u>1,811,104</u>	<u>1,512,857</u>	<u>1,202,156</u>
<u>\$ 74,663</u>	<u>\$ 10,923</u>	<u>\$ 4,316</u>	<u>\$ 1,811,104</u>	<u>\$ 1,512,857</u>	<u>\$ 1,202,156</u>

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	<u>Capital Projects</u>	
	<u>City Projects</u>	<u>Total Other Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 26,733,238
Restricted investments	-	2,607,272
Accounts receivable	-	70,952
Accrued interest	-	68,012
Notes receivable	-	13,862,266
Allowance for notes receivable	-	(13,862,266)
Due from other governmental agencies	44,619	1,018,545
Due from other funds	107,361	152,116
Total Assets	<u>\$ 151,980</u>	<u>\$ 30,650,135</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable and other current liabilities	\$ 106,786	\$ 776,122
Due to other governmental agencies	-	141
Deposits	-	700
Due to other funds	395,488	550,976
Total Liabilities	<u>502,274</u>	<u>1,327,939</u>
Fund Balances:		
Restricted:		
Debt service	-	2,715,013
Transportation	-	18,218,199
Air quality	-	23,768
Public safety	-	3,772,745
Economic development	-	4,544,477
Other purposes	-	413,058
Unassigned	(350,294)	(365,064)
Total Fund Balances	<u>(350,294)</u>	<u>29,322,196</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 151,980</u>	<u>\$ 30,650,135</u>



SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Special Revenue Funds			
	Fire District	Measure I Renewal	Gas Tax	Gas Tax Swap
Revenues:				
Taxes	\$ -	\$ -	\$ 1,433,763	\$ 797,645
Use of money and property	8,776	94,682	-	938
Intergovernmental	-	2,744,020	-	-
Charges for services	-	-	-	-
Grants	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	8,776	2,838,702	1,433,763	798,583
Expenditures:				
Current:				
General government:				
City manager	-	-	-	-
Development services	-	-	-	-
Public safety - fire	874,510	-	-	-
Debt Service:				
Interest	-	-	-	-
Principal	-	-	-	-
Bond administration expense	-	-	-	-
Capital Outlay:				
Land	-	-	-	-
Equipment and vehicles	-	-	-	-
Infrastructure	-	1,090,808	-	-
Total Expenditures	874,510	1,090,808	-	-
Excess (Deficiencies) of Revenues Over (Under) Expenditures	(865,734)	1,747,894	1,433,763	798,583
Other Financing Sources (Uses):				
Transfers in	1,394,000	-	-	-
Transfers out	-	(1,398,030)	(1,300,000)	(900,000)
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	1,394,000	(1,398,030)	(1,300,000)	(900,000)
Net Change in Fund Balances	528,266	349,864	133,763	(101,417)
Fund balances at beginning of year	1,296,025	5,319,785	115,090	181,480
Fund balances at end of year	\$ 1,824,291	\$ 5,669,649	\$ 248,853	\$ 80,063

CITY OF HESPERIA

Special Revenue Funds

Article 8	Gas Tax - RMRA	Community Development Block Grant	CDBG Revolving Loan	AB 3229 State COPS Program	Air Quality Management District
\$ 807,864	\$ 1,668,978	\$ -	\$ -	\$ -	\$ -
27,096	18,293	-	6,470	2,451	229
-	-	-	-	-	484,482
-	-	-	-	-	-
-	-	1,127,341	-	227,256	-
-	-	675	-	-	-
834,960	1,687,271	1,128,016	6,470	229,707	484,711
-	-	-	-	-	-
-	-	1,095,017	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	484,482
2,348	768,364	-	-	-	-
2,348	768,364	1,095,017	-	-	484,482
832,612	918,907	32,999	6,470	229,707	229
-	-	-	-	-	-
(201,891)	-	-	-	(246,000)	-
-	-	-	-	-	-
(201,891)	-	-	-	(246,000)	-
630,721	918,907	32,999	6,470	(16,293)	229
1,073,328	1,002,777	(47,769)	361,530	151,059	23,539
\$ 1,704,049	\$ 1,921,684	\$ (14,770)	\$ 368,000	\$ 134,766	\$ 23,768

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Special Revenue Funds		
	Street Maintenance	Disaster Preparedness Grant	Environmental Programs
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	16,805	772	2,740
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	26,210
Other revenues	333,495	-	18,789
Total Revenues	350,300	772	47,739
Expenditures:			
Current:			
General government:			
City manager	-	-	21,593
Development services	3,924,304	-	-
Public safety - fire	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Equipment and vehicles	123,949	-	-
Infrastructure	-	-	-
Total Expenditures	4,048,253	-	21,593
Excess (Deficiencies) of Revenues Over (Under) Expenditures	(3,697,953)	772	26,146
Other Financing Sources (Uses):			
Transfers in	3,771,891	-	-
Transfers out	-	-	-
Sale of capital assets	51,583	-	-
Total Other Financing Sources (Uses)	3,823,474	-	-
Net Change in Fund Balances	125,521	772	26,146
Fund balances at beginning of year	612,022	43,149	150,037
Fund balances at end of year	\$ 737,543	\$ 43,921	\$ 176,183

CITY OF HESPERIA

Special Revenue Funds					
Neighborhood Stabilization Program	Home Grant	Development Impact Fees- Storm Drain	Development Impact Fees- Fire	Development Impact Fees- Police	Development Impact Fees 2018- Streets
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41,107	4,935	55,206	24,322	1,808	38,142
-	-	-	-	-	-
-	-	48,619	32,588	9,657	3,264,329
-	61,010	-	-	-	-
-	-	-	-	-	-
41,107	65,945	103,825	56,910	11,465	3,302,471
-	-	-	-	-	-
146,952	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	172,344	-	-	-
-	-	-	-	-	-
-	-	58,180	-	-	-
146,952	-	230,524	-	-	-
(105,845)	65,945	(126,699)	56,910	11,465	3,302,471
-	-	-	-	-	-
-	-	-	-	(398,400)	-
-	-	-	-	-	-
-	-	-	-	(398,400)	-
(105,845)	65,945	(126,699)	56,910	(386,935)	3,302,471
2,539,704	233,569	3,185,411	1,349,407	408,017	790,110
\$ 2,433,859	\$ 299,514	\$ 3,058,712	\$ 1,406,317	\$ 21,082	\$ 4,092,581

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Special Revenue Funds		
	Development Impact Fees 2018- Drainage Facilities	Development Impact Fees 2018- Fire Suppression	Development Impact Fees 2018- City Hall Facilities
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	3,305	2,325	1,970
Intergovernmental	-	-	-
Charges for services	257,608	209,576	181,847
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	260,913	211,901	183,817
Expenditures:			
Current:			
General government:			
City manager	-	-	-
Development services	-	-	-
Public safety - fire	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	-	-	-
Excess (Deficiencies) of Revenues Over (Under) Expenditures	260,913	211,901	183,817
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	260,913	211,901	183,817
Fund balances at beginning of year	76,152	51,488	42,135
Fund balances at end of year	\$ 337,065	\$ 263,389	\$ 225,952

CITY OF HESPERIA

Special Revenue Funds				Debt Service	
Development Impact Fees 2018 - Animal Control	Development Impact Fees 2018- Records Storage	Development Impact Fees 2018 - Police Facilities	VVEDA Housing Authority	2012 Water Rights Acquisition	2013 Refunding of Lease Revenue Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
688	96	38	33,224	19,135	15,362
-	-	-	-	-	-
56,249	8,761	3,483	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56,937	8,857	3,521	33,224	19,135	15,362
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	788,675	497,250
-	-	-	-	650,000	335,000
-	-	-	-	2,725	2,725
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,441,400	834,975
56,937	8,857	3,521	33,224	(1,422,265)	(819,613)
-	-	-	-	1,441,400	836,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,441,400	836,750
56,937	8,857	3,521	33,224	19,135	17,137
17,726	2,066	795	1,777,880	1,493,722	1,185,019
\$ 74,663	\$ 10,923	\$ 4,316	\$ 1,811,104	\$ 1,512,857	\$ 1,202,156

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>Capital Projects</u>	
	<u>City Projects</u>	<u>Total Other Governmental Funds</u>
Revenues:		
Taxes	\$ -	\$ 4,708,250
Use of money and property	582	421,497
Intergovernmental	44,515	3,273,017
Charges for services	-	4,072,717
Grants	-	1,441,817
Other revenues	79,000	431,959
Total Revenues	<u>124,097</u>	<u>14,349,257</u>
Expenditures:		
Current:		
General government:		
City manager	-	21,593
Development services	-	5,166,273
Public safety - fire	-	874,510
Debt Service:		
Interest	-	1,285,925
Principal	-	985,000
Bond administration expense	-	5,450
Capital Outlay:		
Land	-	172,344
Equipment and vehicles	-	608,431
Infrastructure	473,402	2,393,102
Total Expenditures	<u>473,402</u>	<u>11,512,628</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(349,305)</u>	<u>2,836,629</u>
Other Financing Sources (Uses):		
Transfers in	28,030	7,472,071
Transfers out	-	(4,444,321)
Sale of capital assets	-	51,583
Total Other Financing Sources (Uses)	<u>28,030</u>	<u>3,079,333</u>
Net Change in Fund Balances	<u>(321,275)</u>	<u>5,915,962</u>
Fund balances at beginning of year	<u>(29,019)</u>	<u>23,406,234</u>
Fund balances at end of year	<u><u>\$ (350,294)</u></u>	<u><u>\$ 29,322,196</u></u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
FIRE DISTRICT SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 33,400	\$ 8,776	\$ (24,624)
Total Revenues	33,400	8,776	(24,624)
Expenditures:			
Current:			
Public safety - fire	905,656	874,510	31,146
Total Expenditures	905,656	874,510	31,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	(872,256)	(865,734)	6,522
Other Financing Sources (Uses):			
Transfers in	644,000	1,394,000	750,000
Total Other Financing Sources (Uses)	644,000	1,394,000	750,000
Net Change in Fund Balances	(228,256)	528,266	756,522
Fund balances at beginning of year	1,296,025	1,296,025	-
Fund balances at end of year	\$ 1,067,769	\$ 1,824,291	\$ 756,522

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
MEASURE I SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 81,500	\$ 94,682	\$ 13,182
Intergovernmental	2,650,380	2,744,020	93,640
Total Revenues	2,731,880	2,838,702	106,822
Expenditures:			
Capital Outlay:			
Infrastructure	3,358,700	1,090,808	2,267,892
Total Expenditures	3,358,700	1,090,808	2,267,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	(626,820)	1,747,894	2,374,714
Other Financing Sources (Uses):			
Transfers out	(1,344,000)	(1,398,030)	(54,030)
Total Other Financing Sources (Uses)	(1,344,000)	(1,398,030)	(54,030)
Net Change in Fund Balances	(1,970,820)	349,864	2,320,684
Fund balances at beginning of year	5,319,785	5,319,785	-
Fund balances at end of year	\$ 3,348,965	\$ 5,669,649	\$ 2,320,684

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 1,550,781	\$ 1,433,763	\$ (117,018)
Use of money and property	2,500	-	(2,500)
Total Revenues	1,553,281	1,433,763	(119,518)
Other Financing Sources (Uses):			
Transfers out	(1,530,000)	(1,300,000)	230,000
Total Other Financing Sources (Uses)	(1,530,000)	(1,300,000)	230,000
Net Change in Fund Balances	23,281	133,763	110,482
Fund balances at beginning of year	115,090	115,090	-
Fund balances at end of year	<u>\$ 138,371</u>	<u>\$ 248,853</u>	<u>\$ 110,482</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GAS TAX SWAP SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 923,684	\$ 797,645	\$ (126,039)
Use of money and property	1,900	938	(962)
Total Revenues	925,584	798,583	(127,001)
Other Financing Sources (Uses):			
Transfers out	(990,000)	(900,000)	90,000
Total Other Financing Sources (Uses)	(990,000)	(900,000)	90,000
Net Change in Fund Balances	(64,416)	(101,417)	(37,001)
Fund balances at beginning of year	181,480	181,480	-
Fund balances at end of year	\$ 117,064	\$ 80,063	\$ (37,001)

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
ARTICLE 8 SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 807,865	\$ 807,864	\$ (1)
Use of money and property	26,300	27,096	796
Total Revenues	834,165	834,960	795
Expenditures:			
Capital Outlay:			
Infrastructure	841,854	2,348	839,506
Total Expenditures	841,854	2,348	839,506
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,689)	832,612	840,301
Other Financing Sources (Uses):			
Transfers out	(300,000)	(201,891)	98,109
Total Other Financing Sources (Uses)	(300,000)	(201,891)	98,109
Net Change in Fund Balances	(307,689)	630,721	938,410
Fund balances at beginning of year	1,073,328	1,073,328	-
Fund balances at end of year	\$ 765,639	\$ 1,704,049	\$ 938,410

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GAS TAX - RMRA SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 1,558,503	\$ 1,668,978	\$ 110,475
Use of money and property	10,800	18,293	7,493
Total Revenues	1,569,303	1,687,271	117,968
Expenditures:			
Capital Outlay:			
Infrastructure	2,255,341	768,364	1,486,977
Total Expenditures	2,255,341	768,364	1,486,977
Net Change in Fund Balances	(686,038)	918,907	1,604,945
Fund balances at beginning of year	1,002,777	1,002,777	-
Fund balances at end of year	\$ 316,739	\$ 1,921,684	\$ 1,604,945

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Grants	\$ 1,689,197	\$ 1,127,341	\$ (561,856)
Other revenues	-	675	675
Total Revenues	1,689,197	1,128,016	(561,181)
Expenditures:			
Current:			
Development services	2,355,041	1,095,017	1,260,024
Total Expenditures	2,355,041	1,095,017	1,260,024
Net Change in Fund Balances	(665,844)	32,999	698,843
Fund balances at beginning of year	(47,769)	(47,769)	-
Fund balances at end of year	\$ (713,613)	\$ (14,770)	\$ 698,843

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 7,600	\$ 6,470	\$ (1,130)
Fund balances at beginning of year	<u>361,530</u>	<u>361,530</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 369,130</u></u>	<u><u>\$ 368,000</u></u>	<u><u>\$ (1,130)</u></u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
AB 3229 STATE COPS SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 1,700	\$ 2,450	\$ 750
Grants	140,000	227,257	87,257
Total Revenues	141,700	229,707	88,007
Other Financing Sources (Uses):			
Transfers out	(246,000)	(246,000)	-
Total Other Financing Sources (Uses)	(246,000)	(246,000)	-
Net Change in Fund Balances	(104,300)	(16,293)	88,007
Fund balances at beginning of year	151,059	151,059	-
Fund balances at end of year	\$ 46,759	\$ 134,766	\$ 88,007

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
AIR QUALITY MANAGEMENT DISTRICT SPECIAL REVENUE FUND
For the year ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 700	\$ 229	\$ (471)
Intergovernmental	484,482	484,482	-
Total Revenues	485,182	484,711	(471)
Expenditures:			
Capital Outlay:			
Infrastructure	484,482	484,482	-
Total Expenditures	484,482	484,482	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	700	229	(471)
Fund balances at beginning of year	23,539	23,539	-
Fund balances at end of year	\$ 24,239	\$ 23,768	\$ (471)

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
STREET MAINTENANCE SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 10,000	\$ 16,805	\$ 6,805
Grants	1,000	-	(1,000)
Other revenues	3,000	333,495	330,495
Total Revenues	14,000	350,300	336,300
Expenditures:			
Current:			
Development services	4,003,794	3,924,304	79,490
Capital Outlay:			
Equipment and vehicles	365,200	123,949	241,251
Total Expenditures	4,368,994	4,048,253	320,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,354,994)	(3,697,953)	657,041
Other Financing Sources:			
Transfers in	4,164,000	3,771,891	(392,109)
Sale of capital assets	3,000	51,583	48,583
Total Other Financing Sources	4,167,000	3,823,474	(343,526)
Net Change in Fund Balances	(187,994)	125,521	313,515
Fund balances at beginning of year	612,022	612,022	-
Fund balances at end of year	\$ 424,028	\$ 737,543	\$ 313,515

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DISASTER PREPAREDNESS GRANT SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues:			
Use of money and property	\$ 500	\$ 772	\$ 272
Fund balances at beginning of year	<u>43,149</u>	<u>43,149</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 43,649</u></u>	<u><u>\$ 43,921</u></u>	<u><u>\$ 272</u></u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
ENVIRONMENTAL PROGRAMS SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 2,600	\$ 2,740	\$ 140
Grants	-	26,210	26,210
Other revenues	-	18,789	18,789
Total Revenues	2,600	47,739	45,139
Expenditures:			
Current:			
General government:			
City manager	57,028	21,593	35,435
Total Expenditures	57,028	21,593	35,435
Net Change in Fund Balances	(54,428)	26,146	80,574
Fund balances at beginning of year	150,037	150,037	-
Fund balances at end of year	\$ 95,609	\$ 176,183	\$ 80,574

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
NEIGHBORHOOD STABILIZATION PROGRAM ALL SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 53,400	\$ 41,107	\$ (12,293)
Total Revenues	53,400	41,107	(12,293)
Expenditures:			
Current:			
Development services	147,155	146,952	203
Total Expenditures	147,155	146,952	203
Net Change in Fund Balances	(93,755)	(105,845)	(12,090)
Fund balances at beginning of year	2,539,704	2,539,704	-
Fund balances at end of year	<u>\$ 2,445,949</u>	<u>\$ 2,433,859</u>	<u>\$ (12,090)</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
HOME GRANT ALL SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 8,000	\$ 4,935	\$ (3,065)
Grants	-	61,010	61,010
Total Revenues	8,000	65,945	57,945
Fund balances at beginning of year	233,569	233,569	-
Fund balances at end of year	\$ 241,569	\$ 299,514	\$ 57,945

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES - STORM DRAIN SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 65,400	\$ 55,206	\$ (10,194)
Charges for services	387,449	48,619	(338,830)
Total Revenues	452,849	103,825	(349,024)
Expenditures:			
Current:			
Capital Outlay:			
Land	275,000	172,344	102,656
Infrastructure	1,655,000	58,180	1,596,820
Total Expenditures	1,930,000	230,524	1,699,476
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,477,151)	(126,699)	1,350,452
Net Change in Fund Balances	(1,477,151)	(126,699)	1,350,452
Fund balances at beginning of year	3,185,411	3,185,411	-
Fund balances at end of year	\$ 1,708,260	\$ 3,058,712	\$ 1,350,452

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES - FIRE SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 26,400	\$ 24,322	\$ (2,078)
Charges for services	338,846	32,588	(306,258)
Total Revenues	365,246	56,910	(308,336)
Fund balances at beginning of year	1,349,407	1,349,407	-
Fund balances at end of year	<u>\$ 1,714,653</u>	<u>\$ 1,406,317</u>	<u>\$ (308,336)</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES - POLICE SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 8,100	\$ 1,808	\$ (6,292)
Charges for services	100,556	9,657	(90,899)
Total Revenues	108,656	11,465	(97,191)
Other Financing Sources (Uses):			
Transfers out	(398,400)	(398,400)	-
Total Other Financing Sources (Uses)	(398,400)	(398,400)	-
Net Change in Fund Balances	(289,744)	(386,935)	(97,191)
Fund balances at beginning of year	408,017	408,017	-
Fund balances at end of year	\$ 118,273	\$ 21,082	\$ (97,191)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 - STREETS SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 4,700	\$ 38,142	\$ 33,442
Charges for services	1,489,862	3,264,329	1,774,467
Total Revenues	1,494,562	3,302,471	1,807,909
Fund balances at beginning of year	790,110	790,110	-
Fund balances at end of year	<u>\$ 2,284,672</u>	<u>\$ 4,092,581</u>	<u>\$ 1,807,909</u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 - DRAINAGE FACILITIES SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 500	\$ 3,305	\$ 2,805
Charges for services	121,499	257,608	136,109
Total Revenues	121,999	260,913	138,914
Fund balances at beginning of year	76,152	76,152	-
Fund balances at end of year	<u>\$ 198,151</u>	<u>\$ 337,065</u>	<u>\$ 138,914</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 - FIRE SUPPRESSION SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 320	\$ 2,325	\$ 2,005
Charges for services	80,555	209,576	129,021
Total Revenues	80,875	211,901	131,026
Fund balances at beginning of year	51,488	51,488	-
Fund balances at end of year	<u>\$ 132,363</u>	<u>\$ 263,389</u>	<u>\$ 131,026</u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 - CITY HALL FACILITIES SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 270	\$ 1,970	\$ 1,700
Charges for services	69,202	181,847	112,645
Total Revenues	69,472	183,817	114,345
Fund balances at beginning of year	42,135	42,135	-
Fund balances at end of year	<u>\$ 111,607</u>	<u>\$ 225,952</u>	<u>\$ 114,345</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 - ANIMAL CONTROL SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 110	\$ 688	\$ 578
Charges for services	22,523	56,249	33,726
Total Revenues	22,633	56,937	34,304
Fund balances at beginning of year	17,726	17,726	-
Fund balances at end of year	<u>\$ 40,359</u>	<u>\$ 74,663</u>	<u>\$ 34,304</u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 - RECORDS STORAGE SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 15	\$ 96	\$ 81
Charges for services	3,353	8,761	5,408
Total Revenues	3,368	8,857	5,489
Fund balances at beginning of year	2,066	2,066	-
Fund balances at end of year	<u>\$ 5,434</u>	<u>\$ 10,923</u>	<u>\$ 5,489</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES 2018 - POLICE FACILITIES SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 8	\$ 38	\$ 30
Charges for services	1,010	3,483	2,473
Total Revenues	1,018	3,521	2,503
Fund balances at beginning of year	795	795	-
Fund balances at end of year	<u>\$ 1,813</u>	<u>\$ 4,316</u>	<u>\$ 2,503</u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
VEDA HOUSING AUTHORITY SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues:			
Use of money and property	\$ 38,000	\$ 33,224	\$ (4,776)
Fund balances at beginning of year	<u>1,777,880</u>	<u>1,777,880</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 1,815,880</u></u>	<u><u>\$ 1,811,104</u></u>	<u><u>\$ (4,776)</u></u>

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
2012 WATER RIGHTS ACQUISITION DEBT SERVICE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 26,000	\$ 19,135	\$ (6,865)
Total Revenues	26,000	19,135	(6,865)
Expenditures:			
Debt Service:			
Interest	788,675	788,675	-
Principal	650,000	650,000	-
Bond administration expense	4,500	2,725	1,775
Total Expenditures	1,443,175	1,441,400	1,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,417,175)	(1,422,265)	(5,090)
Other Financing Sources (Uses):			
Transfers in	1,443,175	1,441,400	(1,775)
Total Other Financing Sources (Uses)	1,443,175	1,441,400	(1,775)
Net Change in Fund Balances	26,000	19,135	(6,865)
Fund balances at beginning of year	1,493,722	1,493,722	-
Fund balances at end of year	\$ 1,519,722	\$ 1,512,857	\$ (6,865)

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
2013 LEASE REVENUE BONDS DEBT SERVICE FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 21,000	\$ 15,362	\$ (5,638)
Total Revenues	21,000	15,362	(5,638)
Expenditures:			
Debt Service:			
Interest	497,250	497,250	-
Principal	335,000	335,000	-
Bond administration expense	4,500	2,725	1,775
Total Expenditures	836,750	834,975	1,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(815,750)	(819,613)	(3,863)
Other Financing Sources (Uses):			
Transfers in	836,750	836,750	-
Total Other Financing Sources (Uses)	836,750	836,750	-
Net Change in Fund Balances	21,000	17,137	(3,863)
Fund balances at beginning of year	1,185,019	1,185,019	-
Fund balances at end of year	\$ 1,206,019	\$ 1,202,156	\$ (3,863)

CITY OF HESPERIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
CITY PROJECTS CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020

	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 700	\$ 582	\$ (118)
Intergovernmental	5,430,994	44,515	(5,386,479)
Grants	501,633	-	(501,633)
Other revenues	-	79,000	79,000
Total Revenues	5,933,327	124,097	(5,809,230)
Expenditures:			
Capital Outlay:			
Infrastructure	6,090,627	473,402	5,617,225
Total Expenditures	6,090,627	473,402	5,617,225
Excess (Deficiency) of Revenues Over (Under) Expenditures	(157,300)	(349,305)	(192,005)
Other Financing Sources (Uses):			
Transfers in	-	28,030	28,030
Total Other Financing Sources (Uses)	-	28,030	28,030
Net Change in Fund Balances	(157,300)	(321,275)	(163,975)
Fund balances at beginning of year	(29,019)	(29,019)	-
Fund balances at end of year	\$ (186,319)	\$ (350,294)	\$ (163,975)

SCHEDULE OF COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2020

	Agency Funds		
	Special Deposits Fund	Assessment District 91-1 Fund	Community Facilities District 2005-1 Fund
Assets			
Cash and investments	\$ 1,734,809	\$ 369,354	\$ 1,513,849
Cash and investments with fiscal agent	-	-	1,456,943
Accounts receivable	29,361	-	11,664
Accrued interest	146	1,030	4,853
Total Assets	\$ 1,764,316	\$ 370,384	\$ 2,987,309
Liabilities			
Accounts payable	\$ 409,249	\$ -	\$ 372
Due to bondholders	-	370,384	2,986,936
Deposits payable	1,355,067	-	-
Total Liabilities	\$ 1,764,316	\$ 370,384	\$ 2,987,308

Agency Funds

Branch Library Fund	Summit Valley HCP Fund	HFPD	Plan Review Trust Fund	Total Agency Funds
\$ 321	\$ 304	\$ 349,166	\$ 6,498	\$ 3,974,301
-	-	-	-	1,456,943
-	-	-	-	41,025
1	1	477	18	6,526
<u>\$ 322</u>	<u>\$ 305</u>	<u>\$ 349,643</u>	<u>\$ 6,516</u>	<u>\$ 5,478,795</u>
\$ -	\$ -	\$ 349,145	\$ -	\$ 758,766
-	-	-	-	3,357,320
322	305	498	6,517	1,362,709
<u>\$ 322</u>	<u>\$ 305</u>	<u>\$ 349,643</u>	<u>\$ 6,517</u>	<u>\$ 5,478,795</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
SPECIAL DEPOSITS FUND
For the Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 1,638,304	\$ 2,814,318	\$ (2,717,813)	\$ 1,734,809
Accounts receivable	30,465	29,361	(30,465)	29,361
Accrued interest	253	146	(253)	146
Total Assets	<u>\$ 1,669,022</u>	<u>\$ 2,843,825</u>	<u>\$ (2,748,531)</u>	<u>\$ 1,764,316</u>
Liabilities				
Accounts payable	\$ 123,859	\$ 2,310,591	\$ (2,025,201)	\$ 409,249
Deposits payable	1,545,163	2,978,291	(3,168,387)	1,355,067
Total Liabilities	<u>\$ 1,669,022</u>	<u>\$ 5,288,882</u>	<u>\$ (5,193,588)</u>	<u>\$ 1,764,316</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ASSESSMENT DISTRICT 91-1 FUND
For the Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 362,120	\$ 7,234	\$ -	\$ 369,354
Accrued interest	1,752	1,030	(1,752)	1,030
Total Assets	<u>\$ 363,872</u>	<u>\$ 8,264</u>	<u>\$ (1,752)</u>	<u>\$ 370,384</u>
Liabilities				
Due to bondholders	\$ 363,872	\$ 6,512	\$ -	\$ 370,384
Total Liabilities	<u>\$ 363,872</u>	<u>\$ 6,512</u>	<u>\$ -</u>	<u>\$ 370,384</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
COMMUNITY FACILITIES DISTRICT 2005-1 FUND
For the Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 1,696,248	\$ 1,874,060	\$ (2,056,459)	\$ 1,513,849
Cash and investments with fiscal agent	1,465,539	1,215,391	(1,223,987)	1,456,943
Accounts receivable	3,020	11,664	(3,020)	11,664
Accrued interest	11,019	4,853	(11,019)	4,853
Total Assets	<u>\$ 3,175,826</u>	<u>\$ 3,105,968</u>	<u>\$ (3,294,485)</u>	<u>\$ 2,987,309</u>
Liabilities				
Accounts payable	\$ 235,679	\$ 388,703	\$ (624,010)	\$ 372
Due to bondholders	2,940,147	2,440,655	(2,393,866)	2,986,936
Total Liabilities	<u>\$ 3,175,826</u>	<u>\$ 2,829,358</u>	<u>\$ (3,017,876)</u>	<u>\$ 2,987,308</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 BRANCH LIBRARY FUND
 For the Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 315	\$ 6	\$ -	\$ 321
Accrued interest	2	-	(1)	1
Total Assets	<u>\$ 317</u>	<u>\$ 6</u>	<u>\$ (1)</u>	<u>\$ 322</u>
Liabilities				
Deposits payable	\$ 317	\$ 5	\$ -	\$ 322
Total Liabilities	<u>\$ 317</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 322</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
SUMMIT VALLEY HCP FUND
For the Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 298	\$ 6	\$ -	\$ 304
Accrued interest	1	-	-	1
Total Assets	<u>\$ 299</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 305</u>
Liabilities				
Deposits payable	\$ 299	\$ 6	\$ -	\$ 305
Total Liabilities	<u>\$ 299</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 305</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
HFPD
For the Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 622,621	\$ 1,397,770	\$ (1,671,225)	\$ 349,166
Accounts receivable	1,032,637	-	(1,032,637)	-
Accrued interest	5,608	477	(5,608)	477
Total Assets	<u>\$ 1,660,866</u>	<u>\$ 1,398,247</u>	<u>\$ (2,709,470)</u>	<u>\$ 349,643</u>
Liabilities				
Accounts payable	\$ 1,484,006	\$ 1,509,687	\$ (2,644,548)	\$ 349,145
Due to bondholders	-	-	-	-
Deposits payable	176,860	54,577	(230,939)	498
Total Liabilities	<u>\$ 1,660,866</u>	<u>\$ 1,564,264</u>	<u>\$ (2,875,487)</u>	<u>\$ 349,643</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 PLAN REVIEW TRUST FUND
 For the Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 6,371	\$ 127	\$ -	\$ 6,498
Accrued interest	31	-	(13)	18
Total Assets	<u>\$ 6,402</u>	<u>\$ 127</u>	<u>\$ (13)</u>	<u>\$ 6,516</u>
Liabilities				
Deposits payable	\$ 6,402	\$ 114	\$ -	\$ 6,516
Total Liabilities	<u>\$ 6,402</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 6,516</u>

SCHEDULE OF COMBINING CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2020

	Total Agency Funds			
	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Assets				
Cash and investments	\$ 4,326,277	\$ 6,093,521	\$ (6,445,497)	\$ 3,974,301
Cash and investments with fiscal agent	1,465,539	1,215,391	(1,223,987)	1,456,943
Accounts receivable	1,066,122	41,025	(1,066,122)	41,025
Accrued interest	18,666	6,506	(18,646)	6,526
Total Assets	<u>\$ 6,876,604</u>	<u>\$ 7,356,443</u>	<u>\$ (8,754,252)</u>	<u>\$ 5,478,795</u>
Liabilities				
Accounts payable	\$ 1,843,544	\$ 4,208,981	\$ (5,293,759)	\$ 758,766
Due to bondholders	3,304,019	2,447,167	(2,393,866)	3,357,320
Deposits payable	1,729,041	3,032,993	(3,399,326)	1,362,709
Total Liabilities	<u>\$ 6,876,604</u>	<u>\$ 9,689,141</u>	<u>\$ (11,086,951)</u>	<u>\$ 5,478,795</u>



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 74% of the revenues are tax related, and of that, 34% 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			
	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	\$ 15,931,422	\$ 189,466,908	\$ 199,998,092	\$ 196,334,806
Restricted	31,239,474	3,319,579	4,716,324	3,491,444
Unrestricted	95,066,145	94,166,563	57,116,661	56,929,048
Total governmental activities net position	<u>\$ 142,237,041</u>	<u>\$ 286,953,050</u>	<u>\$ 261,831,077</u>	<u>\$ 256,755,298</u>
Business-type activities:				
Net investment in capital assets	\$ 77,118,870	\$ 75,034,007	\$ 73,201,861	\$ 84,373,971
Restricted	1,890,305	1,890,305	1,890,305	1,888,888
Unrestricted	(1,343,492)	582,099	3,194,673	2,588,449
Total business-type activities net position	<u>\$ 77,665,683</u>	<u>\$ 77,506,411</u>	<u>\$ 78,286,839</u>	<u>\$ 88,851,308</u>
Primary government:				
Net investment in capital assets	\$ 93,050,292	\$ 264,500,915	\$ 273,199,953	\$ 280,708,777
Restricted	33,129,779	5,209,884	6,606,629	5,380,332
Unrestricted	93,722,653	94,748,662	60,311,334	59,517,497
Total primary government net position	<u>\$ 219,902,724</u>	<u>\$ 364,459,461</u>	<u>\$ 340,117,916</u>	<u>\$ 345,606,606</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 194,674,329	\$ 177,890,141	\$ 174,609,141	\$ 151,028,156	\$ 147,642,747	\$ 141,327,961
3,490,014	2,603,522	2,605,920	2,612,221	2,678,741	64,049,344
38,258,568	46,998,283	40,510,364	38,038,045	24,741,800	(29,893,868)
<u>\$ 236,422,911</u>	<u>\$ 227,491,946</u>	<u>\$ 217,725,425</u>	<u>\$ 191,678,422</u>	<u>\$ 175,063,288</u>	<u>\$ 175,483,437</u>
\$ 82,701,051	\$ 81,151,492	\$ 82,779,673	\$ 84,750,254	\$ 88,640,263	\$ 88,150,623
1,888,888	1,888,888	1,888,901	1,893,896	1,889,131	394,734
1,289,583	1,747,965	527,087	1,749,587	1,535,393	9,067,770
<u>\$ 85,879,522</u>	<u>\$ 84,788,345</u>	<u>\$ 85,195,661</u>	<u>\$ 88,393,737</u>	<u>\$ 92,064,787</u>	<u>\$ 97,613,127</u>
\$ 277,375,380	\$ 259,041,633	\$ 257,388,814	\$ 235,778,410	\$ 236,283,010	\$ 229,478,584
5,378,902	4,492,410	4,494,821	4,506,117	4,567,872	64,444,078
39,548,151	48,746,248	41,037,451	39,787,632	26,277,193	(20,826,098)
<u>\$ 322,302,433</u>	<u>\$ 312,280,291</u>	<u>\$ 302,921,086</u>	<u>\$ 280,072,159</u>	<u>\$ 267,128,075</u>	<u>\$ 273,096,564</u>

CITY OF HESPERIA
Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
Expenses:				
Governmental activities:				
General government	\$ 7,057,475	\$ 7,199,392	\$ 6,952,050	\$ 8,305,493
Public safety	21,768,668	21,141,500	21,849,650	24,063,447
Development services	37,275,002	46,365,807	21,179,809	20,376,539
Interest on long-term debt	9,726,254	5,443,347	1,056,514	1,783,967
Total governmental activities expenses	<u>75,827,399</u>	<u>80,150,046</u>	<u>51,038,023</u>	<u>54,529,446</u>
Business-type activities:				
Water	19,928,163	18,193,068	17,675,402	19,014,005
Wastewater	2,680,585	2,531,776	2,851,639	2,944,634
Total business-type activities expenses	<u>22,608,748</u>	<u>20,724,844</u>	<u>20,527,041</u>	<u>21,958,639</u>
Total primary government expenses	<u>98,436,147</u>	<u>100,874,890</u>	<u>71,565,064</u>	<u>76,488,085</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	4,563,118	4,389,440	4,748,681	4,696,201
Public safety	2,517,304	3,732,817	3,717,361	4,531,678
Transportation	-	-	-	18,488
Development services	1,919,336	692,724	1,120,325	867,793
Operating grants and contributions	5,788,385	6,811,296	6,810,068	7,199,155
Capital grants and contributions	1,316,660	14,626,795	10,047,639	2,506,222
Total governmental activities program revenues	<u>16,104,803</u>	<u>30,253,072</u>	<u>26,444,074</u>	<u>19,819,537</u>
Business-type activities:				
Charges for services:				
Water	15,926,606	16,205,787	16,664,347	16,243,222
Wastewater	3,207,605	3,354,291	3,499,280	3,513,751
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>19,134,211</u>	<u>19,560,078</u>	<u>20,163,627</u>	<u>19,756,973</u>
Total primary government program revenues	<u>35,239,014</u>	<u>49,813,150</u>	<u>46,607,701</u>	<u>39,576,510</u>
Net revenues (expenses):				
Governmental activities	(59,722,596)	(49,896,974)	(24,593,949)	(34,709,909)
Business-type activities	<u>(3,474,537)</u>	<u>(1,164,766)</u>	<u>(363,414)</u>	<u>(2,201,666)</u>
Total net revenues (expenses)	<u>(63,197,133)</u>	<u>(51,061,740)</u>	<u>(24,957,363)</u>	<u>(36,911,575)</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 7,268,741	\$ 7,867,596	\$ 8,943,760	\$ 30,713,526	\$ 8,494,441	\$ 9,330,386
25,164,286	25,512,637	27,464,389	28,466,268	21,296,961	18,719,485
18,290,886	17,558,931	24,649,500	22,696,810	21,632,184	23,152,577
1,530,538	1,453,069	1,406,880	1,849,905	1,574,360	1,676,057
52,254,451	52,392,233	62,464,529	83,726,509	52,997,946	52,878,505
17,285,767	17,886,564	18,142,253	20,079,455	18,121,295	20,486,895
2,912,437	3,039,080	3,315,505	4,022,677	4,669,067	4,569,157
20,198,204	20,925,644	21,457,758	24,102,132	22,790,362	25,056,052
72,452,655	73,317,877	83,922,287	107,828,641	75,788,308	77,934,557
4,348,094	4,645,281	5,706,695	7,516,909	6,779,059	7,831,796
4,741,715	3,712,048	3,605,671	4,032,694	1,137,749	693,224
25,230	3,156	2,724	14,774	-	-
1,124,106	1,439,939	2,196,396	4,359,582	3,642,909	4,121,886
6,717,219	6,697,290	8,680,855	7,276,975	8,850,246	9,958,227
150,598	172,319	256,246	140,020	16,827	44,515
17,106,962	16,670,033	20,448,587	23,340,954	20,426,790	22,649,648
15,783,240	14,822,201	15,727,618	17,197,681	18,318,640	20,078,639
3,608,367	3,633,380	3,679,006	4,206,723	4,538,000	4,867,404
-	-	-	-	1,689,083	2,896,118
-	-	213,722	-	-	-
19,391,607	18,455,581	19,620,346	21,404,404	24,545,723	27,842,161
36,498,569	35,125,614	40,068,933	44,745,358	44,972,513	50,491,809
(35,147,489)	(35,722,200)	(42,015,942)	(60,385,555)	(32,571,156)	(30,228,857)
(806,597)	(2,470,063)	(1,837,412)	(2,697,728)	1,755,361	2,786,109
(35,954,086)	(38,192,263)	(43,853,354)	(63,083,283)	(30,815,795)	(27,442,748)

(Continued)

(Continued)

CITY OF HESPERIA
Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 25,705,048	\$ 16,896,764	\$ 6,745,176	\$ 7,301,566
Sales and use tax	7,509,243	8,845,389	9,916,642	10,124,237
Transient occupancy tax	843,063	913,867	852,692	1,040,271
Franchise tax	2,497,862	2,575,946	2,708,952	2,978,024
Document transfer tax	153,516	153,764	141,089	147,482
Other	-	-	-	-
Vehicle license fees	6,495,727	6,033,936	5,977,260	6,194,705
Income from property and investments	951,489	652,530	404,833	1,745,715
Gain/(loss) on disposal of capital assets	-	-	-	-
Special Item - Loss on exchange of capital assets	-	-	-	-
Unrestricted capital contributions	-	-	-	-
Other general revenues and transfers	402,290	173,276	69,873	66,929
Gain on sale / exchange of asset	-	-	-	35,201
Total governmental activities before extraordinary gain/(loss) and special item	44,558,238	36,245,472	26,816,517	29,634,130
Extraordinary gain/(loss)	-	158,367,511	(26,855,890)	-
Total governmental activities	44,558,238	194,612,983	(39,373)	29,634,130
Business-type activities:				
Property taxes	262,581	283,473	285,575	320,722
Unrestricted investment earnings	130,657	11,591	14,569	14,717
Unrestricted system improvement and replacement	187,560	307,599	157,211	306,762
Proceeds from loan payable	-	-	-	-
Gain on sale / exchange of asset	-	-	-	-
Other revenues and transfers	406,340	402,831	932,374	394,474
Grants received	-	-	-	-
Gain on disposal of capital assets	-	-	-	-
Total business-type revenues and transfers	987,138	1,005,494	1,389,729	1,036,675
Total primary government	45,545,376	195,618,477	1,350,356	30,670,805
Changes in net position:				
Governmental activities	(15,164,358)	144,716,009	(24,633,322)	(5,075,779)
Business-type activities	(2,487,399)	(159,272)	1,026,315	(1,164,991)
Total primary government	\$ (17,651,757)	\$ 144,556,737	\$ (23,607,007)	\$ (6,240,770)

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 6,651,348	\$ 7,136,879	\$ 7,657,562	\$ 8,334,572	\$ 10,219,038	\$ 10,642,798
10,042,299	10,455,912	10,390,005	11,565,238	10,305,375	10,969,697
1,163,434	1,148,212	1,101,101	1,295,192	1,399,842	1,389,038
3,196,630	3,257,019	3,231,198	3,359,697	3,500,687	3,565,576
231,387	209,218	269,704	302,093	280,853	283,585
-	-	-	-	37,686	290,022
6,534,189	7,044,997	7,417,786	7,913,637	45,518	76,266
1,839,817	1,936,799	2,274,694	2,644,205	2,969,540	2,975,216
-	-	-	1,444	17,320	-
-	(303,550)	-	-	-	-
-	-	70,935	-	-	-
534,129	302,988	133,435	322,495	1,207,065	456,808
-	-	-	-	-	-
30,193,233	31,188,474	32,546,420	35,738,573	29,982,924	30,649,006
-	(4,061,284)	-	-	(7,945,330)	-
30,193,233	27,127,190	32,546,420	35,738,573	22,037,594	30,649,006
287,410	320,590	357,298	370,292	465,594	512,114
13,743	28,609	59,225	152,775	260,854	227,763
414,951	575,453	1,321,835	965,385	976,249	1,806,811
-	-	-	-	-	-
-	-	43,725	-	11,938	-
341,505	454,234	462,646	251,670	201,054	215,543
-	-	-	1,941,740	-	-
-	-	-	2,816,417	-	-
1,057,609	1,378,886	2,244,729	6,498,279	1,915,689	2,762,231
31,250,842	28,506,076	34,791,149	42,236,852	23,953,283	33,411,237
(4,954,256)	(8,595,010)	(9,469,522)	(24,646,982)	(10,533,562)	420,149
251,012	(1,091,177)	407,317	3,800,551	3,671,050	5,548,340
\$ (4,703,244)	\$ (9,686,187)	\$ (9,062,205)	\$ (20,846,431)	\$ (6,862,512)	\$ 5,968,489

CITY OF HESPERIA
Fund Balances Of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2011 (a)	2012	2013	2014
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned	150,000	150,000	150,000	150,000
Unassigned	16,773,804	17,067,559	12,737,884	12,701,103
Total General Fund	<u>\$ 16,923,804</u>	<u>\$ 17,217,559</u>	<u>\$ 12,887,884</u>	<u>\$ 12,851,103</u>
 Other Governmental Funds:				
Nonspendable	\$ 54,505,126	\$ 41,390,561	\$ 23,473,585	\$ 9,762,337
Restricted	53,740,154	41,136,183	17,209,534	16,684,194
Committed	19,152,637	-	11,403,713	25,767,388
Assigned	-	451,030	1,054,216	1,012,802
Unassigned	(16,625,775)	(167,130)	(710,853)	(523,597)
Total Other Governmental Funds	<u>\$ 110,772,142</u>	<u>\$ 82,810,644</u>	<u>\$ 52,430,195</u>	<u>\$ 52,703,124</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					
2015	2016	2017	2018	2019	2020
\$ -	\$ 844,842	\$ 1,520,637	\$ 2,155,417	\$ 2,666,290	\$ 3,161,033
150,000	150,000	150,000	150,000	150,000	150,000
10,697,900	9,819,579	6,300,468	5,921,940	10,264,097	12,581,274
<u>\$ 10,847,900</u>	<u>\$ 10,814,421</u>	<u>\$ 7,971,105</u>	<u>\$ 8,227,357</u>	<u>\$ 13,080,387</u>	<u>\$ 15,892,307</u>
\$ -	\$ -	\$ 7,380	\$ 8,045	\$ -	\$ -
51,360,979	60,910,649	58,598,260	62,362,451	59,015,436	64,049,344
-	-	-	-	-	-
574,819	554,861	-	-	-	-
(514,947)	(1,619,962)	(1,663,421)	(3,105,516)	(2,641,156)	(3,693,317)
<u>\$ 51,420,851</u>	<u>\$ 59,845,548</u>	<u>\$ 56,942,219</u>	<u>\$ 59,264,980</u>	<u>\$ 56,374,280</u>	<u>\$ 60,356,027</u>

CITY OF HESPERIA
Changes In Fund Balances Of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
Revenues:				
Taxes	\$ 39,660,004	\$ 33,248,360	\$ 24,185,906	\$ 25,810,277
Licenses and permits	255,836	272,834	254,140	274,845
Fines and forfeits	783,589	691,028	1,000,528	1,078,299
Use of money and property	1,143,298	640,468	385,822	305,202
Intergovernmental	10,387,784	10,310,032	10,339,295	10,570,236
Charges for services	3,984,185	4,232,754	4,507,550	5,244,644
Grants	2,622,114	16,023,836	10,097,612	3,069,915
Other revenues	1,458,152	1,125,924	1,343,397	3,259,028
Total revenues	60,294,962	66,545,236	52,114,250	49,612,446
Expenditures:				
Noncapital Expenditures:				
Current:				
General government	5,763,613	6,026,623	5,685,578	6,307,766
Public safety	21,030,984	20,368,993	20,985,359	23,297,100
Development services	19,884,334	27,950,655	13,530,819	12,756,306
Debt service:				
Interest	9,474,632	4,333,082	320,722	1,174,686
Principal	31,544,872	5,179,771	1,250,000	1,705,000
Debt issuance costs	-	-	194,352	193,035
Pass through payments	8,893,177	5,033,794	-	-
SERAF payment	1,680,385	-	-	-
Bond administration expense	617,322	377,174	348,433	277,518
Total noncapital expenditures	98,889,319	69,270,092	42,315,263	45,711,411
Capital outlay	17,127,815	21,627,384	44,304,198	5,196,460
Total Expenditures	116,017,134	90,897,476	86,619,461	50,907,871
Excess (deficiency) of revenues over (under) expenditures	(55,722,172)	(24,352,240)	(34,505,211)	(1,295,425)
Other financing sources (uses):				
Transfers in	45,960,444	5,346,800	6,432,019	20,618,002
Transfers out	(45,960,444)	(5,346,800)	(6,432,019)	(20,618,002)
Proceeds from sale of capital assets	-	99,178	-	136,143
Insurance proceeds	-	-	-	-
Proceeds from bond refunding	-	-	-	12,445,000
Payment to refund bond	-	-	-	(12,200,000)
Discount on bonds	-	-	(196,400)	(114,570)
Premium on issuance of bonds	-	-	112,377	-
Issuance of debt	-	-	26,735,000	-
Total other financing sources (uses)	-	99,178	26,650,977	266,573
Extraordinary gain/(loss)				
Prior period adjustment	-	-	-	-
Extraordinary gain/(loss)	-	-	-	-
Dissolution of redevelopment agency	-	(3,414,681)	(26,855,890)	-
Total extraordinary gain/(loss)	-	(3,414,681)	(26,855,890)	-
Special Item				
Transfer of fire operations to County				
Net change in fund balances	\$ (55,722,172)	\$ (27,667,743)	\$ (34,710,124)	\$ (1,028,852)
Debt service as a percentage of noncapital expenditures	41.5%	13.7%	3.7%	6.3%

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					
2015	2016	2017	2018	2019	2020
\$ 24,857,082	\$ 25,753,020	\$ 25,563,592	\$ 28,537,419	\$ 21,428,029	\$ 22,429,824
249,645	218,187	202,800	232,351	255,400	284,948
730,759	611,892	692,958	909,468	915,427	1,366,432
336,889	279,643	379,097	597,499	1,079,055	805,626
10,956,809	11,569,248	11,953,716	13,882,165	14,093,235	15,156,612
6,021,914	6,236,834	7,563,827	9,969,438	6,871,809	7,504,000
1,640,455	1,447,056	3,501,501	1,866,437	801,206	1,464,577
2,406,483	2,462,075	2,623,371	2,599,648	3,629,490	4,095,295
47,200,036	48,577,955	52,480,862	58,594,425	49,073,651	53,107,314
5,884,810	6,133,879	7,067,037	8,368,684	7,472,245	7,955,874
24,521,949	24,612,969	25,992,896	27,323,573	21,054,779	18,194,122
10,780,744	11,755,745	16,720,178	12,983,892	11,260,824	12,378,534
1,439,244	1,421,297	1,401,158	1,386,595	1,810,909	1,761,458
1,605,000	5,385,000	830,000	875,000	2,806,240	2,861,240
-	29,808	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
91,441	-	4,450	10,382	7,950	5,450
44,323,188	49,338,698	52,015,719	50,948,126	44,412,947	43,156,678
6,162,324	5,611,919	6,211,788	5,277,993	2,293,404	3,332,652
50,485,512	54,950,617	58,227,507	56,226,119	46,706,351	46,489,330
(3,285,476)	(6,372,662)	(5,746,645)	2,368,306	2,367,300	6,617,984
8,521,039	6,025,208	6,735,501	7,067,580	7,240,886	8,546,770
(8,521,039)	(6,025,208)	(6,735,501)	(7,067,580)	(7,240,886)	(8,546,770)
-	-	-	210,707	17,677	175,683
-	-	-	-	1,563,517	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	210,707	1,581,194	175,683
1,265,000	18,825,164	-	-	(294,603)	-
-	(4,061,284)	-	-	-	-
-	-	-	-	-	-
1,265,000	14,763,880	-	-	(294,603)	-
(1,691,561)					-
\$ (2,020,476)	\$ 8,391,218	\$ (5,746,645)	\$ 2,579,013	\$ 1,962,330	\$ 6,793,667
6.9%	13.8%	4.3%	4.4%	10.4%	10.7%

CITY OF HESPERIA
Assessed Value And Estimated Actual Value Of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

	City			Taxable Assessed Value	Redevelopment Agency ¹			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2011	4,220,587	148,355	(85,626)	4,283,316	1,882,185	83,764	(69,523)	1,896,426	0.179%
2012	4,181,230	145,580	(84,302)	4,242,508	1,848,240	80,887	(68,407)	1,860,720	0.179%
2013	4,145,686	145,628	(82,030)	4,209,284	-	-	-	-	0.179%
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%

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.

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</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 Year and 9 Fiscal Years Ago

Taxpayer	2020		2011	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
West Main Villas LLC	\$ 40,002,741	0.62%	\$ -	0.00%
Carl E. Ross Trust	37,308,567	0.58%	52,260,275	1.20%
Walmart Stores, Inc.	27,983,119	0.43%	-	0.00%
WLPX Hesperia LLC.	26,886,213	0.42%	12,525,889	0.29%
Target Corporation	25,560,499	0.40%	24,269,450	0.56%
10200 Armargosa Partners LLC	24,248,603	0.37%	-	0.00%
Best Way Disposal Company, Inc.	23,995,907	0.37%	-	0.00%
RIM Properties	19,936,346	0.31%		0.00%
Charter Communications Operating LLC	15,958,711	0.25%	-	0.00%
Sparky's Storage 18 CA LP	15,578,793	0.24%	-	0.00%
Federal National Mortgage Association	-	0.00%	24,797,936	0.57%
Hesperia-Main Street LLC	-	0.00%	19,831,757	0.45%
Rancho Las Flores LLC	-	0.00%	19,441,660	0.44%
Moradi Family Trust	-	0.00%	15,658,068	0.36%
Hesperia Marketplace CAP Partners LP	-	0.00%	13,101,844	0.30%
Sunshine Hotels II LLC	-	0.00%	11,655,095	0.27%
Crossings at Hesperia LP.	-	0.00%	11,172,739	0.26%
	<u>\$ 257,459,499</u>	3.98%	<u>\$ 204,714,713</u>	4.69%

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
2011	23,860,596	23,016,499	96%	353,802	23,370,301	98%
2012	15,384,704	14,704,816	96%	362,963	15,067,779	98%
2013	4,240,895	4,016,467	95%	106,710	4,123,177	97%
2014	4,312,226	4,073,475	94%	94,327	4,167,802	97%
2015	4,303,341	4,265,574	99%	32,468	4,298,042	100%
2016	4,466,513	4,300,003	96%	120,197	4,420,200	99%
2017	4,543,086	4,388,374	97%	114,662	4,503,037	99%
2018	4,361,638	4,183,822	96%	15,021	4,198,843	96%
2019	500,280	486,238	97%	14,313	500,551	100%
2020	-	896,493	-	-	896,493	-

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 Bonds	Tax Allocation Bonds ^{1, 3}	Certificates of Participation	Lease Revenue Bonds	Loans	Notes Payable ³	
2011	7,035,000	165,974,894	13,700,000	-	600,000	1,821,205	189,131,099
2012	6,455,000	-	13,200,000	-	450,000	-	20,105,000
2013	5,855,000	-	12,700,000	26,652,611	300,000	-	45,507,611
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

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.

Business-type Activities						
Water Revenue Bonds	Certificates of Participation	Loans	Total Business-type Activities	Total Primary Governmental	Percentage of Personal Income ²	Debt Per Capita ²
12,275,209	940,000	-	13,215,209	202,346,308	13.19%	2,230
11,629,452	885,000	-	12,514,452	32,619,452	2.07%	359
11,918,481	825,000	-	12,743,481	58,251,092	3.87%	640
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

CITY OF HESPERIA

Ratio 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	Water	Total		
	Allocation Bonds	General Obligation Bonds	Governmental Activities		
2011	165,975	-	165,975	3.87%	1,876
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2020	-	-	-	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, 2020

	Total Debt 6/30/20	Percentage Applicable ⁽¹⁾	Net Bonded Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Overlapping debt:			
Victor Valley Joint Community College District	161,846,762	19.677%	31,846,587
Mojave Water Agency	4,835,000	17.061%	824,899
City of Hesperia Community Facilities District No. 2005-1	15,935,000	100.000%	15,935,000
Total Overlapping Tax and Assessment Debt			\$ 48,606,486
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Direct debt:			
City of Hesperia 2018 San Bernardino County Transportation Authority Loan	15,009,923	100.000%	15,009,923
City of Hesperia 2013 Refunding of 2005 Certificates of Participation	10,795,000	100.000%	10,795,000
City of Hesperia 2012 Revenue Bonds Water Rights Acquisition	22,725,000	100.000%	22,725,000
Sub-total Direct Debt			48,529,923
Overlapping debt:			
San Bernardino County General Fund Obligations	239,140,000	2.727%	6,521,348
San Bernardino County Pension Obligations	237,212,638	2.727%	6,468,789
San Bernardino County Flood Control District Certificates of Participation	57,155,000	2.727%	1,558,617
Hesperia Unified School District Certificates of Participation	118,665,000	84.674%	100,478,402
Snowline Joint Union High School District Certificates of Participation	63,335,000	2.114%	1,338,902
Sub-total Overlapping Debt			116,366,058
Total Gross Direct And Overlapping General Fund Obligation Debt			\$ 164,895,981
<u>OVERLAPPING TAX INCREMENT DEBT</u>	397,014,925	3.415-100.000%	\$ 116,503,182
COMBINED TOTAL DEBT			\$ 330,005,649 ⁽²⁾
Direct Debt:			
General Fund Obligation Debt			33,376,440
Sub-total Direct Debt			33,376,440
Overlapping Debt:			
Tax and Assessment Debt			48,606,486
General Fund Obligation Debt			116,366,058
Tax Increment Debt			116,503,182
Sub-total Overlapping Debt			281,475,726
COMBINED TOTAL DEBT			\$ 314,852,166

- (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	0.75%
Combined Direct Debt (\$33,520,000)	0.52%
Combined Total Debt	4.87%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/17: \$ -

Source: California Municipal Statistics, Inc.

CITY OF HESPERIA

Computation Of Legal Debt Margin

Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Total assessed value of all real and personal property	\$ 4,283,316,000	\$ 4,242,508,000	\$ 4,209,284,000	\$ 4,396,333,389
Debt limit percentage (1)	15.00%	15.00%	15.00%	15.00%
Total debt limit	642,497,400	636,376,200	631,392,600	659,450,008
Amount of debt applicable to debt limit	7,035,000	6,455,000	5,855,000	5,235,000
Legal debt margin	\$ 635,462,400	\$ 629,921,200	\$ 625,537,600	\$ 654,215,008
Percent of Debt Limit Authorized	1.09%	1.01%	0.93%	0.79%

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					
2015	2016	2017	2018	2019	2020
\$ 4,643,554,000	\$ 5,014,130,000	\$ 5,248,890,000	\$ 5,598,267,000	\$ 5,931,327,000	\$ 6,385,010,000
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
696,533,100	752,119,500	787,333,500	839,740,050	889,699,050	957,751,500
4,590,000	-	-	-	-	-
\$ 691,943,100	\$ 752,119,500	\$ 787,333,500	\$ 839,740,050	\$ 889,699,050	\$ 957,751,500
0.66%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF HESPERIA

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					Coverage
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2011	20,121,349	17,984,711	2,136,638	705,000	628,053	1.60
2012	20,565,572	16,045,278	4,520,294	730,000	619,582	3.35
2013	21,678,840	15,771,259	5,907,581	760,000	621,688	4.28
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

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.

Tax Allocation Bonds

Tax Increment	Debt Service		Coverage
	Principal	Interest	
19,315,568	28,365,000	9,400,380	0.51
11,146,382	3,534,125	4,207,674	1.44
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

CITY OF HESPERIA

Demographic And Economic Statistics

Last Ten Calendar Years

Calendar Year	Population ⁽¹⁾	Effective Buying Income (in thousands) ⁽²⁾	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
2011	90,726	1,539,277	16,909	16.9%
2012	90,849	1,577,602	17,330	12.4%
2013	91,057	1,510,294	16,524	10.8%
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%

Sources:

- (1) State Department of Finance
- (2) City of Hesperia Economic Development Department
- (3) State of California Employment Development Department

CITY OF HESPERIA

Principal Employers

Current Year and Nine Fiscal Years Ago

	2020		2011
	Number Of	Percent of	Number Of
	Employees	Total	Employees
	Employees	Employment	Employees
Hesperia Unified School District*	2,817	8.03%	1,956
County of San Bernardino	648	1.85%	365
Wal-Mart Supercenter	405	1.15%	0
Super Target	320	0.91%	250
Stater Brothers Markets (3 locations) **	320	0.91%	361
City of Hesperia***	261	0.74%	200
Arizona Pipeline Company	213	0.61%	195
In-N-Out (2 locations)	143	0.41%	124
Robar Ent/Hi Grade Material	129	0.37%	134
Double Eagle Transportation	126	0.36%	124
Hesperia Recreation & Park District**	106	0.30%	166
Total Top Employers	5,488	15.64%	3,875
Total City Employment (1)	35,000		

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, 2020									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	42.13	40.86	38.86	37.86	36.86	36.86	34.74	35.74	35.56	35.54
Public safety										
Police ¹	75.50	70.50	72.50	73.00	73.00	77.00	78.00	78.00	78.00	72.00
Fire ²	59.00	57.40	48.40	66.73	67.60	58.75	58.83	58.81	0.00	0.00
Development services										
Community Development	17.73	17.27	16.03	15.95	14.76	15.68	15.38	16.38	16.42	16.42
Code Compliance	23.78	23.78	23.78	23.78	23.92	23.92	25.28	25.74	25.74	25.74
Public works	35.40	35.36	34.36	34.36	33.66	34.36	35.30	35.76	35.26	34.64
Water	72.54	69.77	68.77	69.23	67.98	68.58	65.84	66.30	61.21	61.88
Wastewater	5.50	4.50	4.50	4.50	4.50	5.20	5.20	5.20	9.39	9.44
Total	<u>331.58</u>	<u>319.44</u>	<u>307.20</u>	<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>

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) annexed the Hesperia Fire Protection 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Arrests	2,503	2,495	3,115	2,988	2,774	2,575	2,779	2,679	2,633	2,341
Citations issued	2,793	2,529	4,454	3,688	2,755	3,205	3,216	3,724	4,113	3,812
Calls for service	54,077	59,456	61,718	61,729	84,868	85,685	85,656	86,975	87,677	84,906
Fire:										
Number of emergency calls	12,145	10,443	10,157	12,244	13,457	10,619	19,960	20,280	N/A	N/A
Inspections	582	563	591	545	578	623	583	979	N/A	N/A
Public works:										
Street resurfacing (miles)	-	2.5	1.0	1.9	3.4	1.6	4.0	5.2	2.8	1.7
Potholes filled	8,398	9,156	10,000	19,086	21,945	24,583	28,000	22,128	32,358	33,500
Water:										
New connections	10	21	10	55	60	110	135	240	215	230
Average daily consumption (thousands of gallons)	11,687	11,774	12,130	12,035	11,695	10,090	10,832	11,283	10,802	10,621
Old steel waterlines replaced ¹ (miles of pipeline)	5.0	4.7	4.0	4.5	3.6	5.0	5.0	4.8	1.4	1.0
Sewer: ²										
Wastewater lines cleaned (mi.)	40	44	28	38	63	38	62	17	53	55
Manholes maintained	821	447	86	722	1,115	736	1,200	275	1,091	1,000

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	4	4	4	4	4	4	4	3	3	3
Public works:										
Streets (miles)	545.0	545.0	545.0	545.0	545.0	545.0	549.0	549.0	550.6	550.6
Traffic Signals	25	26	26	26	26	26	27	27	27	27
Water:										
Water mains (miles)	574.0	574.0	574.0	574.0	574.0	574.0	589.0	589.0	591.0	592.0
Maximum daily demand (millions of gallons)	21.8	18.8	22.8	24.4	21.1	21.5	21.8	20.8	22.1	18.5
Old steel waterlines replaced ¹ (miles of pipeline)	5.0	4.7	4.0	4.5	3.6	5.0	5.0	4.8	1.4	1.0
Sewer: ²										
Sanitary sewers (miles)	115	115	115	115	115	128	128	128	129	129
Average Daily Demand (millions of gallons)	1.99	2.03	2.03	2.03	1.63	1.50	1.89	1.76	1.94	2.00

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

HESPERIA WATER DISTRICT

Water Sold by Type of Customer

Last Ten Fiscal Years

(in million of gallons)

Type of Customer:	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential	3,664.2	3,668.9	3,819.4	3,785.6	3,690.3	3,156.6	3,364.0	3,521.3	3,375.0	3,332.7
Industrial	2.9	4.0	4.2	5.4	4.3	2.9	3.2	-	-	-
Commercial	405.6	331.4	296.0	296.9	268.7	274.2	288.5	294.5	286.7	269.1
Government	193.2	293.3	308.0	304.8	305.2	249.3	297.9	302.5	281.2	275.0
Total	4,265.9	4,297.6	4,427.6	4,392.7	4,268.5	3,683.0	3,953.6	4,118.3	3,942.9	3,876.8

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

Source: Hesperia Water District

HESPERIA WATER DISTRICT

Water Rates Last Ten Fiscal Years

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers			
		Rate Per 0 - 10	Rate Per 11 - 40	Rate Per 41 - 80	Rate Per Over 80
		HCF	HCF	HCF	HCF
2011	\$ 37.76	\$ 0.87	\$ 1.49	\$ 1.81	\$ 2.15
2012	39.27	0.90	1.55	1.88	2.24
2013	39.27	0.90	1.55	1.88	2.24
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 0-14	Rate Per 14-35	Rate Per Over 35	
		HCF	HCF	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)

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

HESPERIA WATER DISTRICT

Water Customers

Current Year and 9 Fiscal Years Ago

	2020		2011	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
HESPERIA UNIFIED SCHOOL DISTRICT	\$ 420,349	4.48%	\$ 437,590	4.76%
HESPERIA PARK & REC	247,487	2.64%	164,720	1.79%
RIM PROPERTIES	69,813	0.74%	59,131	0.64%
SPRING STREET ASSOCIATES LP	40,106	0.43%	53,503	0.58%
CITY OF HESPERIA	39,398	0.42%	27,093	0.29%
KDF HESPERIA	35,185	0.38%	38,837	0.42%
HESPERIA COMMUNITY CHURCH	28,375	0.30%	20,834	0.23%
VVWRA	27,602	0.29%	-	0.00%
HESPERIA GARDEN APTS	27,456	0.29%	13,731	0.15%
HESPERIA SPEEDWASH	26,873	0.29%	-	0.00%
WILLOW OAKS PARK LLC	23,667	0.25%	-	0.00%
VIP PROPERTY MANAGEMENT	22,394	0.24%	-	0.00%
MESA LINDA APARTMENTS	21,647	0.23%	-	0.00%
SAN REMO HESPERIA LTD	20,770	0.22%	17,362	0.19%
HOUSING AUTHORITY	19,243	0.21%	-	0.00%

Note:

Information prior to 2006-07 is not available.

Source: Hesperia Water District