

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA**

**COMPONENT UNIT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Development Commission of the City of Hesperia
Hesperia, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Community Development Commission of the City of Hesperia (the Commission) (a component unit of the City of Hesperia) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Community Development Commission as of June 30, 2021, and the respective changes in financial position 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 and budgetary comparison schedules identified as required supplementary information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Irvine, California
May 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Hesperia's Community Development Commission (Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ending June 30, 2021. Please read this in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The Commission's net position decreased by 9% below June 30, 2020 due primarily from the following factors listed below:

- For FY 2020-21, assets decreased by \$1,078,217 primarily the result of the loss from a market analysis performed for Land held for Resale of \$1,036,979. Liabilities decreased by \$41,254, a combination of a \$1,025 decrease in accounts payable and \$40,229 decrease in the amount Due to the City of Hesperia, resulting in an overall decrease in net position of \$1,036,963.
- During the year ending June 30, 2021, the Commission did not receive any contributions from the City of Hesperia's General Fund to fund anticipated revenue shortfalls. In order to facilitate future economic development, the operations of the Community Development Commission have been absorbed into the General Fund starting in FY 2020-21, within the Economic Development Department.
- For FY 2020-21, expenditures increased by \$581,083, this is primarily due to the loss from a market analysis on Land held for Resale.

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 Commission as a whole and present a long-term view of the Commission's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds.

REPORTING THE COMMISSION AS A WHOLE

The discussion and analysis provided here are intended to serve as an introduction to the Commission'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 Commission's finances is, "Is the Commission 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 Commission 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 Commission's assets and liabilities, 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 Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission'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).

The government-wide financial statements can be found on pages 7-8 of this report.

REPORTING THE COMMISSION'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 Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission uses a governmental fund to account for its operations.

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 basic governmental fund financial statements can be found on pages 9-12 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 13-22 of this report.

THE COMMUNITY DEVELOPMENT COMMISSION AS A WHOLE

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Commission.

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$10.5 million, at June 30, 2021.

Table 1
Condensed Statement of Net Position

	2020	2021	Changes from 2020 to 2021	
			Amount	Percentage
Current and other assets	\$ 12,161,829	\$ 11,083,612	\$ (1,078,217)	-9%
Total Assets	12,161,829	11,083,612	(1,078,217)	-9%
Current and other liabilities	641,927	600,673	(41,254)	-6%
Total Liabilities	641,927	600,673	(41,254)	-6%
Net Position:				
Restricted for economic development	11,519,902	10,482,939	(1,036,963)	-9%
Total Net Position	<u>\$ 11,519,902</u>	<u>\$ 10,482,939</u>	<u>\$ (1,036,963)</u>	<u>-9%</u>

The following is a brief explanation for the balance changes of Table 1 above for the fiscal year ending June 30, 2021.

- Current and other assets decreased by 9% to \$10.5 million from FY 2019-20. This decrease in assets is primarily represented by a \$1,036,963 loss from a market analysis that was performed on Land held for Resale.
- Current and other liabilities of \$600,673 represents a \$41,254 decrease from the previous year's ending balance of \$641,927.

COMMISSION CHANGES IN NET POSITION

The cost of all Commission activities this year was \$1,036,963. This represents an increase of 127% from FY 2019-20 costs of activities of \$455,880. The Commission did not receive any revenue in FY 2020-21, a significant decrease of 100%, from FY 2019-20.

Table 2
Changes in Net Position

	2020	2021	Changes from 2020 to 2021	
			Amount	Percentage
Revenues				
Program revenues:				
Operating grants and contributions	\$ 430,299	\$ -	\$ (430,299)	-100%
General revenues:				
Income from money and property	299,726	-	(299,726)	-100%
Other	15,030	-	(15,030)	-100%
Total revenues	745,055	-	(745,055)	-100%
Expenses				
Development services	455,880	1,036,963	581,083	127%
Total expenses	455,880	1,036,963	581,083	127%
Change in net position	289,175	(1,036,963)	(1,326,138)	459%
Net position at July 1	11,230,727	11,519,902	289,175	3%
Net position at June 30	\$ 11,519,902	\$ 10,482,939	\$ (1,036,963)	-9%

Other significant changes to take note of in Table 2 are:

- The Commission did not receive any contribution from the City of Hesperia to help fund ongoing activities. The contribution from the City of Hesperia is 100% less than the \$430,299 that was contributed in FY 2019-20.
- In FY 2020-21, expenditures totaled \$1,036,963, which is an increase of nearly \$581,083 or 127% compared to the FY 2019-20 total of \$455,880. This is primarily due to the loss from the market analysis performed on Land held for Resale.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

At year-end, the Commission's governmental fund reported a fund balance of \$10,464,470 compared to the previous year's fund balance of \$11,501,449 at June 30, 2020. The decrease in expenditures was related to the loss from the market analysis on the Commission's Land held for Resale.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Due to the insufficient revenue generated by the Commission's operations, the Commission did not receive any cumulative contributions from the City of Hesperia's General Fund. As the Commission does not have an ongoing revenue source to support operations. The operations of the Community Development Commission have been absorbed into the General Fund starting in FY 2020-21, within Economic Development Department.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

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

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Noncurrent Assets:	
Land Held for Resale	\$ 11,065,143
Deposits	<u>18,469</u>
Total Noncurrent Assets	<u>11,083,612</u>
 Total Assets	 11,083,612
 LIABILITIES	
Current Liabilities:	
Due to City of Hesperia	<u>600,673</u>
 NET POSITION	
Restricted for Economic Development	<u><u>\$ 10,482,939</u></u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs	Expenses				
PRIMARY GOVERNMENT					
Governmental Activities:					
Development Services	\$ 1,036,963	\$ -	\$ -	\$ -	\$ (1,036,963)
Total Governmental Activities	<u>\$ 1,036,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,036,963)</u>
Net Position - Beginning of Year					<u>11,519,902</u>
NET POSITION - END OF YEAR					<u>\$ 10,482,939</u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
BALANCE SHEET
JUNE 30, 2021**

ASSETS

Land Held for Resale	<u>\$ 11,065,143</u>
Total Assets	<u><u>\$ 11,065,143</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Due to City of Hesperia	\$ 600,673
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FUND BALANCES

Restricted:	
Economic Development	<u>10,464,470</u>
Total Liabilities and Fund Balances	<u><u>\$ 11,065,143</u></u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

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

Total Fund Balances - Governmental Funds	\$ 10,464,470
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Deposits with insurance providers to pay for long-term liabilities are not current financial resources to the governmental funds. These amounts are deferred and amortized in the statement of activities.

18,469

Total Net Position

<u>\$ 10,482,939</u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

REVENUES

Intergovernmental Revenues	\$ <u>-</u>
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EXPENDITURES

Current:

Development Services	<u>1,036,979</u>
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Total Expenditures	<u><u>1,036,979</u></u>
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**EXCESS (DEFICIENCY) OF REVENUES
OVER (UNDER) EXPENDITURES**

(1,036,979)

FUND BALANCES - BEGINNING OF YEAR

11,501,449

FUND BALANCES - END OF YEAR

\$ 10,464,470

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

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

Net Change in Fund Balances - Total Governmental Funds	\$ (1,036,979)
Recording of long-term deposits are included in governmental activities in the government-wide statement of activities.	<u>16</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,036,963)</u></u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Community Development Commission of the City of Hesperia (the Commission), which is a component unit of the City of Hesperia, was established on April 5, 2011 by Resolution No. 2011-023 of the City Council. The Community Development Commission was activated when the dissolution of the former Hesperia Community Redevelopment Agency occurred on February 1, 2012. The Commission develops, manages, and promotes economic development interests within the City of Hesperia.

The Commission is an integral part of the reporting entity of the City of Hesperia (the City). The accounts of the Commission have been included within the scope of the basic financial statements of the City because the City Council has financial accountability over the operations of the Commission.

B. Basis of Presentation

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Commission has no business-type activities.

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

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Governmental Fund Financial Statements (Continued)

The accounting system of the Commission is organized and operated on the basis of one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in the fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Pursuant to the 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:

- 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 Commission only has restricted fund balance as of June 30, 2021.

When expenditures are incurred, the Commission uses the most restrictive funds first. The Commission would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

The Commission's has one major fund described below:

General Fund – used to account for revenues derived from specific sources that are restricted by law or administrative regulation to expenditures for specific purposes.

C. Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

In the government-wide statement of Net Position and the statement of activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus (Continued)

In the fund financial statements, the governmental fund is accounted for on a spending or "current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. The reported fund balances (net current assets) are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as a fund asset. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

In the statement of net position, the net position is classified in the following categories:

- **Restricted net position** – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

D. Basis of Accounting

Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Revenue recognition is subject to the measurable and availability criteria for the governmental fund in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

E. Cash and Investments

Cash and investments are pooled with other City funds for investment purposes, with interest being allocated quarterly to all funds legally requiring allocation and to other various funds at the direction of management based on average month-end pooled funds' cash and investment balances. Interest income for cash and investments excluded from pooled cash is credited directly to the related fund. Investment policies applicable to the Commission's funds are those of the City and are included in the notes to the City's basic financial statements.

F. Claims and Judgments

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 Commission records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2021, in the opinion of the Commission's Attorney, the Commission had no material unrecorded claims that would require loss provision in the financial statements, including losses for claims that are Incurred But Not Reported (IBNR). Small dollar claims and judgments are recorded as expenditures when paid.

The Commission participates in the self-insurance program of the City of Hesperia. Information relating to the self-insurance program can be found in the notes to the basic financial statements of the City of Hesperia.

G. 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 Commission does not have any type of these items at June 30, 2021.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Deferred Outflows/Inflows of Resources (Continued)

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 so will not be recognized as an inflow of resources (revenue) until that time. The Commission does not have any type of these items at June 30, 2021.

H. Receivables

All accounts, taxes, and service receivables are shown net of an allowance for uncollectible.

I. 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Equity in Cash and Investment Pool of the City of Hesperia

The Commission does not have a separate bank account; however, the Commission's cash and investments are maintained in an investment pool managed by the City of Hesperia. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Hesperia. The Commission has not adopted an investment policy separate from that of the City of Hesperia.

The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

At June 30, 2021, pooled cash of the City of Hesperia temporarily covered the Commission's \$600,673 negative cash balance. This is reported in the accompanying financial statements as due to the City of Hesperia.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Investments Authorized by the California Government Code and the Commission's Investment Policy

The table below identifies the investment types that are authorized for the Commission by the California Government Code (or the Commission's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Commission's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

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

Disclosures Related to Interest Rate Risk, Credit Risk, Custodial Credit Risk and Fair Value Measurements

The Commission's cash and cash equivalents are pooled with the City of Hesperia's cash and investments. Additional disclosures regarding the pooled investments related to interest rate risk, credit risk, custodial credit risk and fair value measurements are available in the City of Hesperia's Comprehensive Annual Financial Report.

REQUIRED SUPPLEMENTARY INFORMATION



**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE - BEGINNING OF YEAR	\$ 11,501,449	\$ 11,501,449	\$ 11,501,449	\$ -
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current:				
Development Services		-	1,036,979	(1,036,979)
Total Charges to Appropriations	-	-	1,036,979	(1,036,979)
EXCESS OF RESOURCES OVER (UNDER)				
CHARGES TO APPROPRIATIONS	-	-	(1,036,979)	(1,036,979)
FUND BALANCE - END OF YEAR	<u>\$ 11,501,449</u>	<u>\$ 11,501,449</u>	<u>\$ 10,464,470</u>	<u>\$ (1,036,979)</u>

See accompanying Note to Required Supplementary Information.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 BUDGETARY DATA

In conjunction with the City of Hesperia's budgeting process, the Commission adopts annual operating budgets for the governmental funds each year. The Commission's Board (Board) approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The Board conducts public hearings prior to its adoption. Supplemental appropriations, when required during the period, are also approved by the Board. Increases in annual expenditures require approval by the Board. Interdepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the fund level for each fund. At fiscal year-end, all operating budget appropriations lapse. Budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

