

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

**COMPONENT UNIT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	4
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF ACTIVITIES	8
BALANCE SHEET	9
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	12
NOTES TO FINANCIAL STATEMENTS	13





INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements 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, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of June 30, 2023, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Irvine, California
December 19, 2023

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, 2023. Please read this in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The Commission's net position was unchanged from June 30, 2022 due primarily to the following factors listed below:

- For FY 2022-23, assets remained unchanged as there were no property transactions in Land Held for Resale. Liabilities also remained unchanged, resulting in no change in net position.
- During the year ending June 30, 2023, the Commission experienced no financial activity. In order to facilitate future economic development, the operations of the Community Development Commission was absorbed into the General Fund as of FY 2021-22, within the Economic Development Department.
- For FY 2022-23, expenditures decreased by \$57,148 due to the Commission experiencing no activity. Expenditures in subsequent years will be related to the disposition of 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 13-18 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. At June 30, 2023, assets exceeded liabilities by \$11.0 million, as was the case on June 30, 2022.

Table 1
Condensed Statement of Net Position

	2022	2023	Changes from 2022 to 2023	
			Amount	Percentage
Current and other assets	\$ 11,566,464	\$ 11,566,464	\$ -	0%
Total Assets	11,566,464	11,566,464	-	0%
Current and other liabilities	600,673	600,673	-	0%
Total Liabilities	600,673	600,673	-	0%
Net Position:				
Restricted for economic development	10,965,791	10,965,791	-	0%
Total Net Position	<u>\$ 10,965,791</u>	<u>\$ 10,965,791</u>	<u>\$ -</u>	<u>0%</u>

The following is a brief explanation for the balance changes of Table 1 above for the fiscal year ending June 30, 2023.

- Current and other assets remained unchanged from \$11.6 million in FY 2021-22.
- Current and other liabilities of \$600,673 remained unchanged from the previous year's ending balance of \$600,673.

COMMISSION CHANGES IN NET POSITION

As there was no activity within the Commission during FY 2022-23, the cost of all Commission activities for the year was \$0. This represents a decrease of 100% from the FY 2021-22 costs of activities of \$57,148. The Commission did not receive any revenue in FY 2022-23, similar to FY 2021-22.

Table 2
Changes in Net Position

	2022	2023	Changes from 2022 to 2023	
			Amount	Percentage
Revenues				
Program revenues:				
Operating grants and contributions	\$ -	\$ -	\$ -	n/a
General revenues:	-			
Income from money and property	-	-	-	n/a
Other	-	-	-	n/a
Total revenues	-	-	-	n/a
Expenses				
Development services	57,148	-	(57,148)	-100%
Total expenses	57,148	-	(57,148)	-100%
Change in net position	(57,148)	-	(38,679)	-100%
Net position at July 1	10,482,939	10,965,791	482,852	5%
Prior Period Adjustment	540,000	-	(540,000)	-100%
Net position at July 1, as Restated	11,022,939	10,965,791	(57,148)	-1%
Net position at June 30	\$ 10,965,791	\$ 10,965,791	\$ -	0%

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

At year-end, the Commission's governmental fund balance of \$10,965,791 was unchanged from the previous year's fund balance at June 30, 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As the Community Development Commission does not have an ongoing revenue source to support operations, the Commission's operations were absorbed into the General Fund in FY 2021-22, within Economic Development Department. The disposition of Land Held for Resale will be the focus of the the FY 2023-24 Budget.

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, 2023**

ASSETS	Governmental Activities
Noncurrent Assets:	
Land Held for Resale	\$ 11,566,464
LIABILITIES	
Current Liabilities:	
Due to City of Hesperia	<u>600,673</u>
NET POSITION	
Restricted for Economic Development	<u><u>\$ 10,965,791</u></u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT					
Governmental Activities:					
Development Services	\$ -	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ -
Net Position - Beginning of Year					<u>10,965,791</u>
NET POSITION - END OF YEAR					<u>\$ 10,965,791</u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
BALANCE SHEET
JUNE 30, 2023**

ASSETS

Land Held for Resale	<u>\$ 11,566,464</u>
Total Assets	<u><u>\$ 11,566,464</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Due to City of Hesperia	\$ 600,673
-------------------------	------------

FUND BALANCES

Restricted:	
Economic Development	<u>10,965,791</u>
Total Liabilities and Fund Balances	<u><u>\$ 11,566,464</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, 2023**

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

Total Fund Balances - Governmental Funds	\$ 10,965,791
No reconciling items	<u>-</u>
Total Net Position	<u><u>\$ 10,965,791</u></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, 2023**

REVENUES	\$ -
EXPENDITURES	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-
FUND BALANCES - BEGINNING OF YEAR	<u>10,965,791</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 10,965,791</u></u>

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, 2023**

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

Net Change in Fund Balances - Total Governmental Funds	\$ -
No reconciling items	<u>-</u>
Change in Net Position of Governmental Activities	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide 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, 2023.

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, 2023**

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 sheet. 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, 2023**

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, 2023, 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, 2023.

**COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF HESPERIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023.

H. Receivables

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

I. Budget

There was no legally adopted budget for the commission for the current year.

J. 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, 2023, 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, 2023**

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

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.

