

STAFF REPORT

TO: City Council FROM: Finance Director FOR MEETING: Dec 12 2023

SUBJECT: Presentation of the City's Annual Comprehensive Financial Report (ACFR) for FY 2022-23.

RECOMMENDATION:

The City Council receive and file.

ORDER OF PROCEDURE:

Request Staff Report (Finance Director Presenting)
Council Questions of Staff
Request Public Comment
Council Discussion
Motion/Second
Discussion of Motion
Call the Question

ATTACHMENTS:

- 2023 Final Annual Comprehensive Financial Report
- 2023 Final GAGAS (Generally Accepted Auditing Standards) Letter
- 2023 Final SAS (Statement of Auditing Standards) 114 Letter
- 2023 Final GANN Limit Report

BACKGROUND:

The City's Fiscal Year runs from July 1 through June 30. Rogers, Anderson, Malody, & Scott (RAMS), independent auditors who specialize in governmental audits, audited the City's books for the Fiscal Year ending June 30, 2023. In addition to the audit, RAMS assisted City Staff in preparing the City's Annual Comprehensive Financial Report (ACFR). The City has received an unmodified opinion from RAMS.

This means the ACFR represents fairly the financial position of the City; it is the highest opinion given by an auditor. The City's ACFR is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). The ACFR reports on the financial activities of the City and includes the Independent Auditors Report from RAMS, the City's certified public accountants.

Financial Highlights

The General Fund is the chief operating fund of the City of Twentynine Palms. At the end of Fiscal Year 2022-23, the total unrestricted fund balance was \$9,098,342 or 79% of total General Fund Expenditures, which is within the City's fund policy of 50-55% of operating expenditures.

The General Fund's fund balance increased by \$968,203 primarily due to increased tax revenue and revenues from building permits. General Fund revenues for the Fiscal Year 2022-23 increased by \$1,224,329, or 12%, over the prior year. The overall increase was due to the following factors:

- Sales and use taxes increased by \$614,305 due to rising inflation and the stabilizing economy after the COVID-19 pandemic.
- Property assessed values increased by 11.16%, which resulted in an increase of \$293,239 in property tax revenue.
- Property taxes In lieu of Vehicle License Fee (VLF) also increased by \$381,011 as a result of the increase in assessed valuations.

General Fund expenditures for Fiscal Year 2022-23 increased by \$1,204,767, or 12%, over the prior year. The overall increase was due to the following factors:

- General Government expenditures increased by \$272,491 primarily due to increases in employee-related costs including cost of living adjustment (COLA) of 6.9%, CalPERS retirement system increases, merit increases, and employee reclassifications.
- Public Safety expenditures, generally the City's largest cost, increased by \$383,405 due to increased contract costs with the County of San Bernardino Sherriff's Department.
- Community Development expenditures increased by \$119,862 primarily due to increased contract costs for engineering and building inspections.
- Community Services expenditures increased by \$200,785 due to the City opening its Freedom Plaza (formerly known as Project Phoenix); this plaza is now fully operational and has added approximately \$152,553 in additional operating costs.

The City has been a recipient of the Government Finance Officers Association's (GFOA) Certificate of

Achievement for Excellence in Financial Reporting for the past riscal rears, including the riscal rear ended Julie
30, 2022. A copy of the award can be found on page vii of the attached ACFR. According to the GFOA, the
certificate program was established in 1945 "to encourage and assist state and local governments to go beyond
the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial
reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments
that succeed in achieving that goal. The Certificate of Achievement is the highest form of recognition in
governmental accounting and financial reporting." The City intends to continue its participation in the certificate
program in future years.

ALTERNATIVES:

The City Council could choose not to accept the Annual Comprehensive Financial Report.

FISCAL IMPACT:

N/A

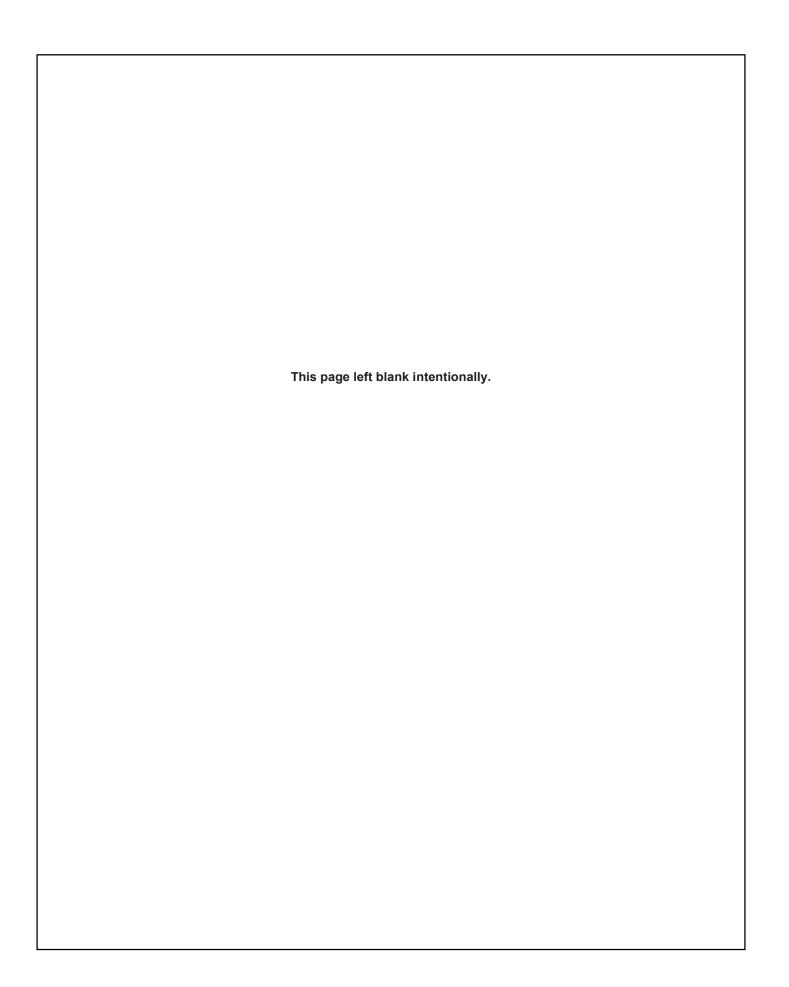
N/A

Twentynine Palms, California

Annual Comprehensive Financial Report For the fiscal year ended June 30, 2023



Prepared by the Finance Department



City of Twentynine Palms

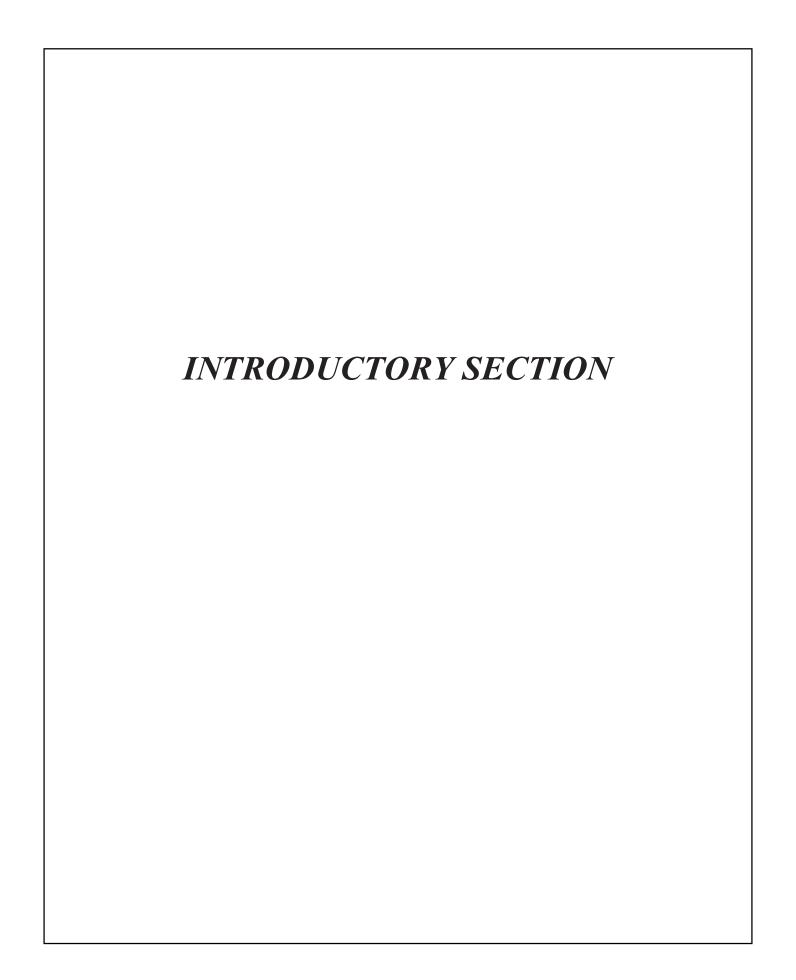
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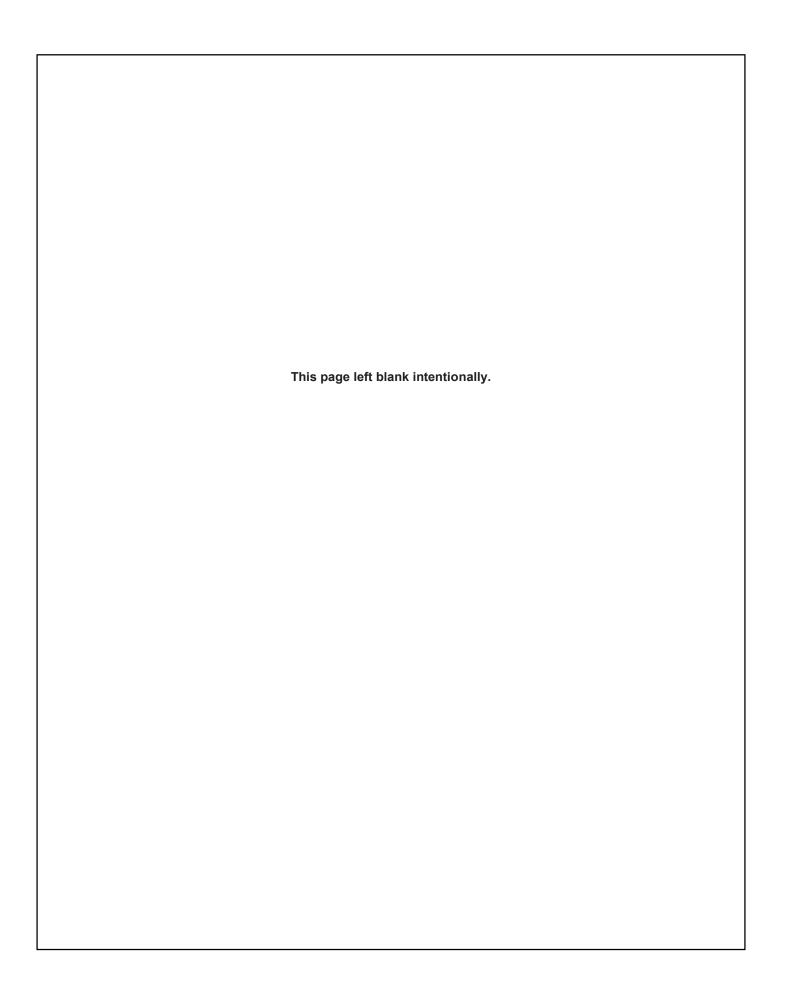
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City of Twentynine Palms

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CITY OFFICES:

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COUNCILMEMBERS

McArthur Wright, Mayor Steven Bilderain, Mayor Pro Tem Joel Klink Daniel L. Mintz, Sr. Octavious Scott

INTERIM CITY MANAGER Larry Bowden

November 20, 2023

To the Honorable Mayor and City Council of the City of Twentynine Palms

We are pleased to present the annual comprehensive financial report (ACFR) of the City of Twentynine Palms (City) for the fiscal year ended June 30, 2023. It is submitted with this letter fulfilling the requirements of the State of California. The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive system of internal controls that are designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control systems have 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 City's basic financial statements have been audited by Rogers, Anderson, Malody & Scott, 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 for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall presentation of the financial statements. Based upon their audit, the independent auditor concluded that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The City of Twentynine Palms' MD&A can be found immediately following the report of the independent auditors

Profile of the City of Twentynine Palms, California

The City of Twentynine Palms, California was incorporated as a general law city on November 23, 1987 and is located in south-central San Bernardino County (a part of the Morongo Basin). The City limits cover an area of approximately 58 square miles, with a population of approximately 26,000. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council consisting of five members elected by District. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees or commissions and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a full range of services, including police (provided by the San Bernardino County Sheriff's Department); construction and maintenance of streets and other infrastructure; recreational activities and cultural events; sanitation services; street lighting; planning and zoning; and general administrative services. The Twentynine Palms Water District provides water services for the City. Fire services are provided by the San Bernardino County Fire Department. Economic development activities which, in the past, were provided through a legally separate Twentynine Palms Redevelopment Agency (Agency). The activities of the Agency were included as an integral part of the City's basic financial statements through January 31, 2012. All Redevelopment Agencies in the State of California ceased to exist on that date. The activity of closing the Twentynine Palms Redevelopment Agency passed to the City as "Successor Agency."

In Fiscal Year 2020-21, the City began providing sewer services to customers in a relatively new small area developed within the City's downtown (aka Phoenix Project). This project is unique in that it has a limited number of customers and will have its own package treatment plant serving only those customers within the new development area.

The annual budget serves as the foundation for the City's financial planning and control. In March, department heads submit requests for the following year to the City Manager. The City Manager and Finance Director estimate revenue and determine how much is available to cover the requested expenditures. A preliminary draft budget is submitted to the City Council. The City Manager conducts a study session with the Council. Changes directed by the Council are incorporated into the final draft, and the budget is approved by the Council at one of their regular meetings in June.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors affecting financial condition

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

Local economy

The local economy showed some resiliency through the COVID-19 financial impact to our Community. The General Fund financial statements show an increase of \$1,224,329 in revenues this year. Unemployment in the City was at 6.3% for 2023 compared with 4.9% for 2022. Sixteen single family residential building permits were issued during the year. Property valuations rose by 11.16% to \$1,137,526,790.

The economy of the City is affected by two major sources: 1) The Marine Corps Air Ground Combat Center "Base"; and 2) tourism, much of which is generated by the presence of Joshua Tree National Park which adjoins the City on the south. Tourists are also drawn to the area by the desert location with its clean air and moderate wintertime temperatures.

Long-term financial planning

The City has prioritized long term planning that envisions necessary, as well as desired, improvements for the community. There are specific projects with their recommended funding sources laid out for the next five years, and more general plans beyond that period. That plan would include new infrastructure such as parks, roads, and additions and improvements to existing facilities.

The accomplishment of these plans depends on continuance of current Federal, State and County grant programs, and City Funds as they become available.

Relevant financial policies

The General Fund balance has increased by \$968,203 for fiscal year 2022-2023. The change is primarily attributed to increases in property taxes, sales taxes, and building permits, which are the City's major revenue sources. A reasonable minimum unrestricted (unassigned) Fund Balance is maintained for the following purposes:

- 1. Provide sufficient working capital to meet daily cash flow requirements and to avoid the need to borrow through tax anticipation notes and other short-term loans.
- 2. Provide stable tax rates and charges for services.
- 3. Provide a reserve to absorb emergency expenditures caused by natural disasters such as earthquakes, floods, fire, or other situations that were not reasonably predictable.
- 4. Mitigate current and future financial risks, such as unanticipated revenue shortfalls, State revenue raids or reduction in revenue caused by economic contractions or other conditions.
- Take advantage of unanticipated one-time opportunities to leverage City financial resources to promote economic development, construct infrastructure, and provide matching funds for State and Federal grants or to take advantage of some other opportunity as determined by the City Council.

The General Fund balance is used to fund ongoing annual operating expenditures. When the unrestricted (unassigned) General Fund balance exceeds the level established by the City Council, monies are transferred to the General Capital Projects Fund to be used for one-time capital purchases or capital projects.

The City seeks to acquire grant revenue from Federal, State or County sources. The City uses these one-time and non-recurring Federal, State and County Grant revenues for capital projects or major capital equipment purchases. Revenues from grants are not to be used for maintenance and operation expenses, to expand programs or increase staffing levels because the City may not be in the financial position to support the activity or staff if the grant revenue ceases to exist. The City only projects the receipt of intergovernmental revenues during the period of time that the Federal, State or County authorization exists.

The City participates in the California Public Employees Retirement System (PERS). The plan covers all full-time City employees and provides 2.5% of salary for each year of service at age 55. Due to the Public Employees' Pension Reform Act of 2013 (PEPRA), starting after January 1, 2013, all new miscellaneous full-time members will be provided 2% of salary for each year of service at age 62. The City also pays a portion of each employee's medical premiums under the PERS medical plan after retirement. The City has begun to fund these post-employment benefits through PERS. For a full discussion of the pension plan, its cost and benefits see Note 11 to the financial statements.

Major Initiatives

The City continues to increase its resurfacing efforts in Fiscal Year 2022-2023 in spite of rising cost of materials. The City generated cost savings by performing the bulk of application of overlays with in-house staff and equipment. The City overlaid approximately 5 miles of asphalt pavement on local street segments in March of 2023 using City Staff and equipment. These roads included Cactus Dr., Gorgonio Dr., Hatch Rd., Ocotillo Ave., Utah Trail, Buena Vista, Quailspring, and Cottonwood. During FY 2022-2023, the City entered into a cooperative agreement with San Bernardino County Department of Public Works to Chip seal 4.26 miles of shared roadway bordering the City which is scheduled for completion in FY2023-2024. The City Public Works staff is scheduled to overlay 4.47 miles of roadway throughout the City based on engineering recommendation, PCI, PMS, and staff evaluation of repair and traffic trend data. The City has engaged Civil Engineers in the subsequent Fiscal Year. The City completed the reconstruction of its community pool at Luckie park in late May 2023.

Awards and Acknowledgments

The City has applied for and been awarded the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the fiscal year ended June 30, 2022.

The preparation of this report could not have been accomplished without the dedicated efforts of the Finance Department and the assistance of the City's auditors, Rogers, Anderson, Malody & Scott, LLP. We would also like to thank the Mayor and the members of the City Council for their support and commitment to fiscal integrity and financial leadership.

Respectfully Submitted,

Larry Bowden Interim City Manager

City of Twentynine Palms

Directory of City Officials June 30, 2023

ELECTED OFFICIALS

McArthur WrightMayorSteven BilderainMayor Pro TemDaniel L. Mintz, Sr.Council MemberJoel A. KlinkCouncil MemberOctavious ScottCouncil Member

APPOINTED OFFICIALS

Cindy Villescas City Clerk

MANAGEMENT

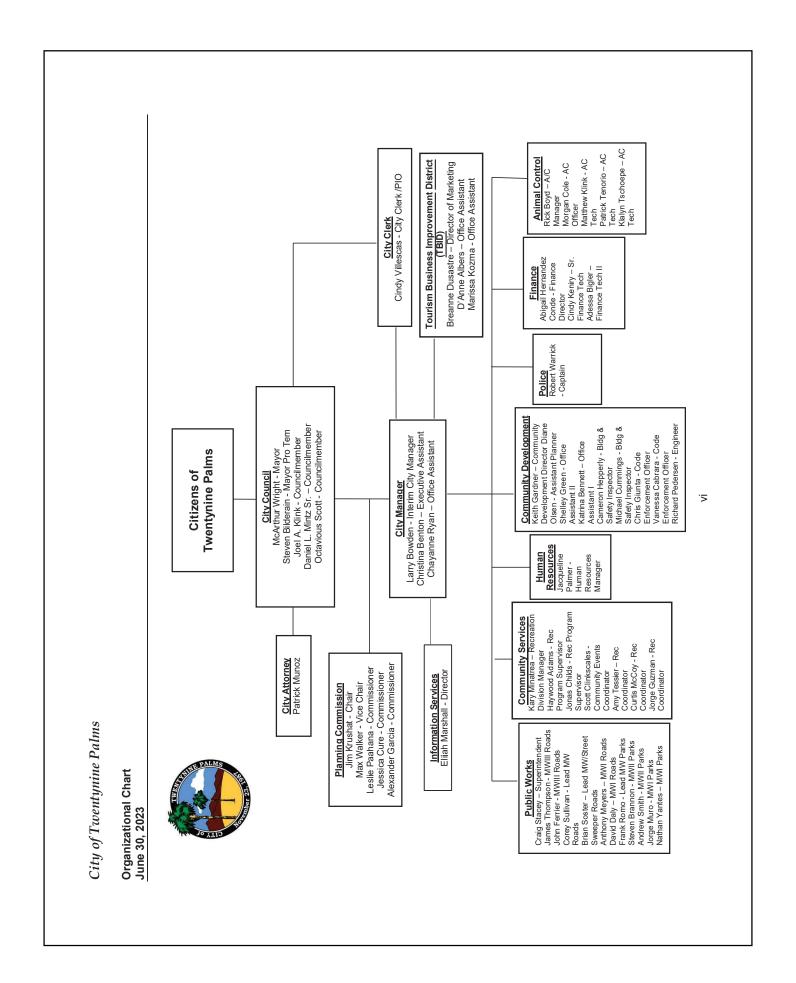
Larry Bowden
Keith Gardner

Abigail Hernandez Conde Craig
Stacey
Kary Minatrea
Rick Boyd
Elijah Marshall

Interim City Manager
Community Development Director
Public Works Superintendent
Recreation Division Manager
Animal Control Manager
Information Services Director

CONTRACTORS

Patrick Munoz City Attorney
Richard Pedersen City Engineer
Robert Warrick Chief of Police





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

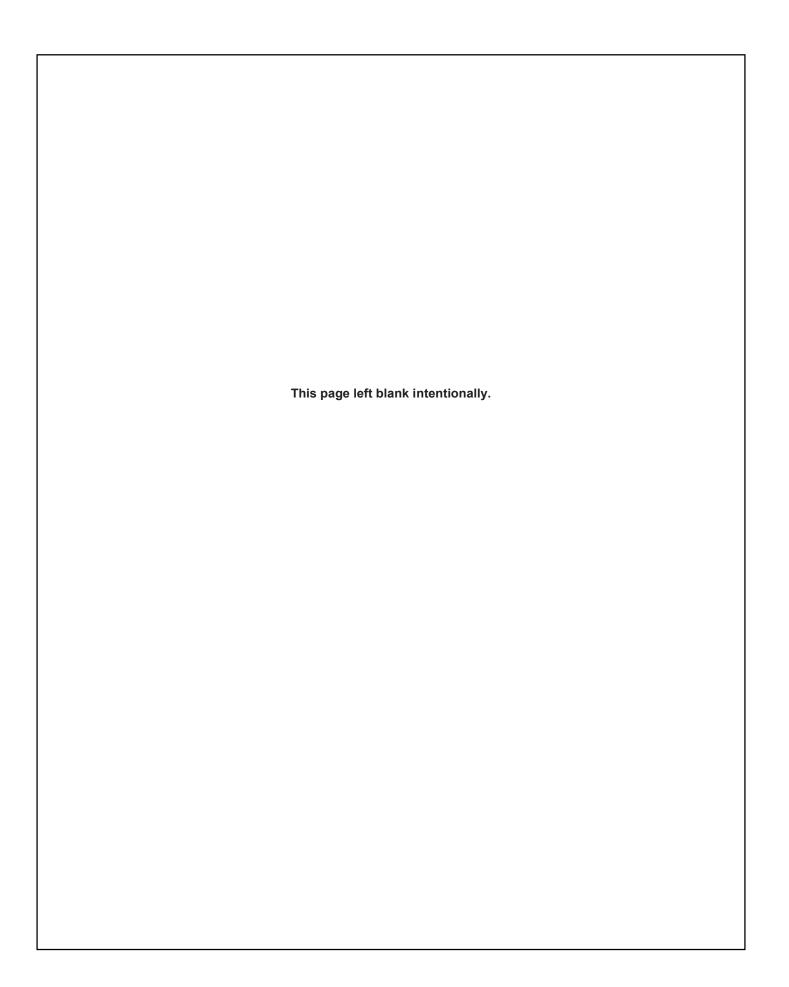
City of Twentynine Palms California

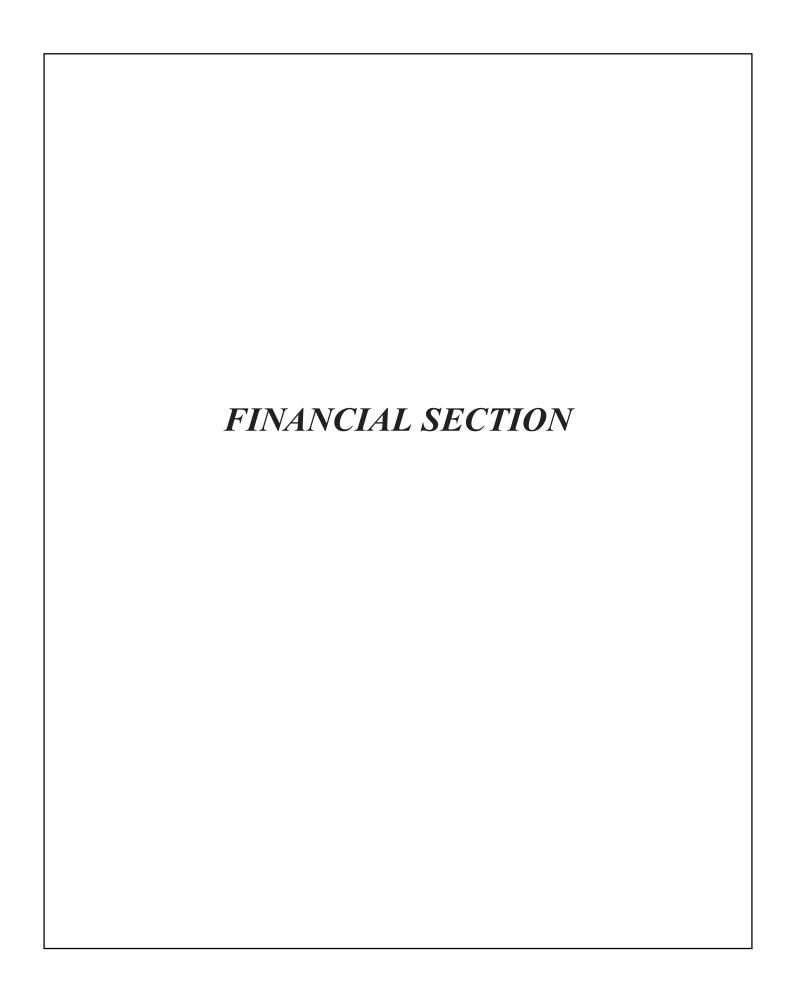
For its Annual Comprehensive Financial Report For the Fiscal Year Ended

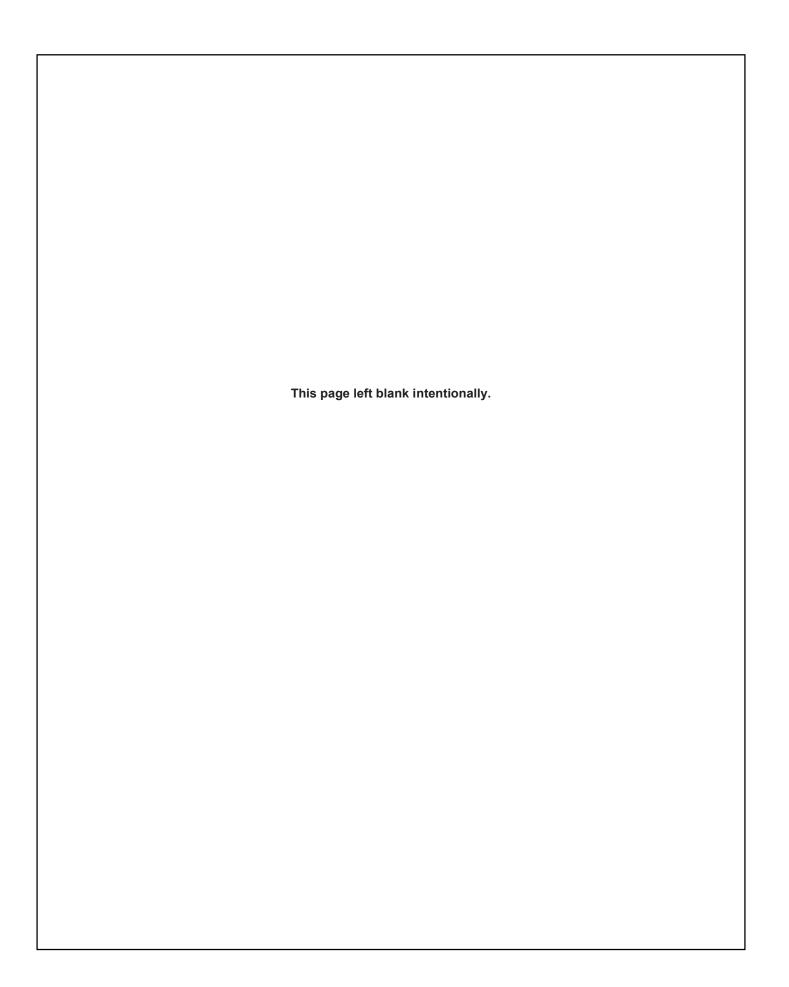
June 30, 2022

Christopher P. Morrill

Executive Director/CEO









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Independent Auditor's Report

PARTNERS

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Jenny W. Liu, CPA, MST
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Brenda L. Odle, CPA, MST (Partner Emeritus)

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Veronica Hernandez, CPA
Laura Arvizu, CPA
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Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA
Jeffrey McKennan, CPA

MEMBERS

American Institute of Certified Public Accountants

PCPS The AICPA Alliance for CPA Firms

Governmental Audit Quality Center

California Society of Certified Public Accountants



The Honorable City Council City of Twentynine Palms, California

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant 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.

Other Matters

As discussed in Note 1 to the financial statements, in the year ended June 30, 2023, the City adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements and Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 auditor's 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 GAS 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 GAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and those schedules as listed in the table of contents 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

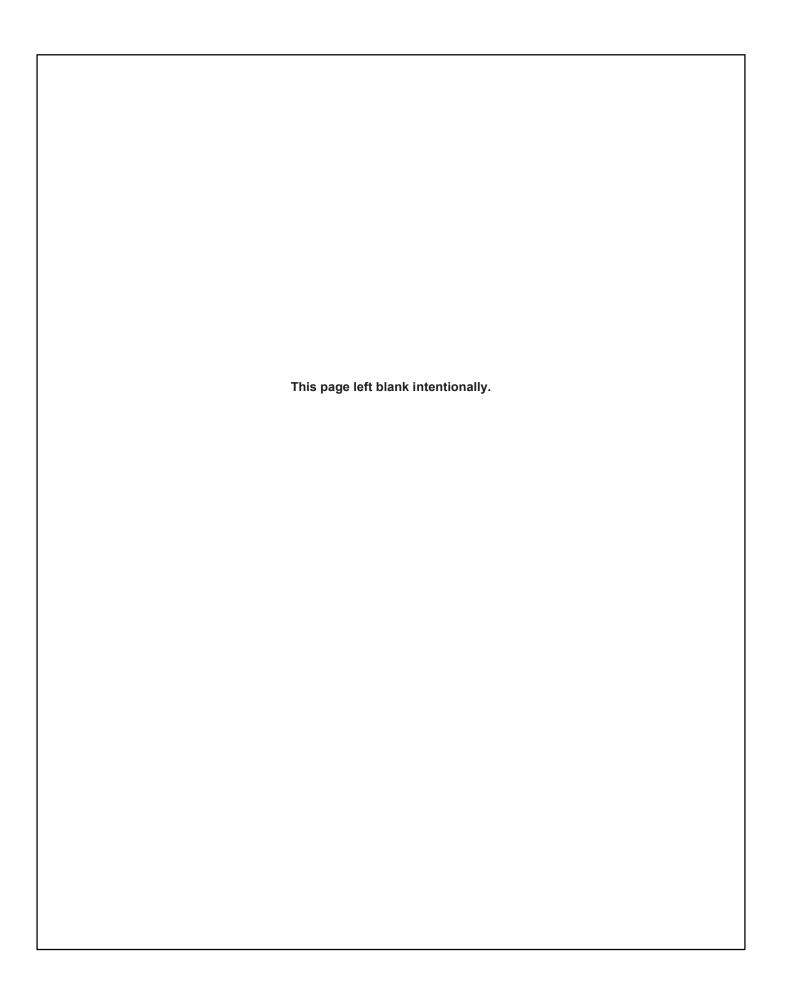
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

Rogers, Anderson, Malody e Scott, LLP.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

San Bernardino, California November 20, 2023



Management's Discussion and Analysis

As management of the City of Twentynine Palms, we offer readers of the City of Twentynine Palms' financial statements this narrative overview and analysis of the financial activities of the City of Twentynine Palms for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial highlights

- The assets and deferred outflows of resources of the City of Twentynine Palms exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67,868,045 (net position). Of this amount, \$15,908,516 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Twentynine Palms' governmental funds reported combined ending fund balances of \$20,743,572, an increase of \$1,043,768 in comparison with the prior year. Approximately 44%, or \$9,077,481, of the ending fund balance is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,098,342, or 79% of the General Fund expenditures.
- The City of Twentynine Palms' total long-term liabilities increased by \$1,784,226 during the current fiscal year mainly as a result of a changes in the City's net pension liability.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the City of Twentynine Palms' basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources, with the difference between the two 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Twentynine Palms that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, community development, economic development, health and sanitation, and culture and recreation. The business-type activities of the City of Twentynine Palms include the City's Sewer.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Twentynine Palms, 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 two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Twentynine Palms maintains seventeen 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, the Community Development Block Grant Fund, the Tourism Business Improvement District Fund, the American Rescue Plan Act (ARPA) Fund, and the Capital Improvements Fund all of which are considered to be major funds. Data from the other twelve 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 elsewhere in this report.

The City of Twentynine Palms adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages **16-21** of this report.

Proprietary fund. The City of Twentynine Palms maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for its Sewer operations.

Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail.

The proprietary fund financial statements can be found on pages **22-24** of this report.

Fiduciary fund. The City of Twentynine Palms maintains one fiduciary fund. The *private purpose trust fund* accounts for the activities of the Successor Agency to the City of Twentynine Palms Redevelopment Agency. The fund's primary purpose is to expedite the dissolution of the former Agency's net position in accordance with California law as stated in ABx1 26 and AB 1484. These statements can be found on pages **25-26**.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages **27-65** of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget versus actual results for the General Fund and any Special Revenue Major Fund, the City's proportionate share of their pension plan's liability and related ratios as of the measurement date, the City's schedule of plan contribution, and the City's schedule of changes in Net OPEB liability and the schedule of OPEB contributions. Required supplementary information can be found on pages **66-74** of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages **75-96** of this report.

Government-wide financial analysis

The government-wide financial statements provide information about the City's overall financial picture from the perspective of all the City's governmental and business-type funds combined together. This form of financial reporting is intended to provide a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Twentynine Palms, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$67,868,045 at the close of the most recent fiscal year.

A large portion of the City's net position (69%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

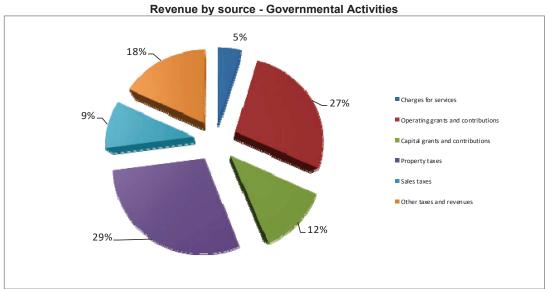
Statement of Net Position											
	Governmen	tal Activities	Business-Ty	pe Activities	т	otal					
	2023	2022	2023	2022	2023	2022					
Current and other assets	\$ 21,925,143	\$ 24,169,204	\$ 592,948	\$ 244,297	\$ 22,518,091	\$ 24,413,50					
Capital assets	45,821,035	39,579,993	2,748,343	1,478,017	48,569,378	41,058,01					
Total assets	67,746,178	63,749,197	3,341,291	1,722,314	71,087,469	65,471,51					
Deferred outflows of resources	3,762,501	3,352,582			3,762,501	3,352,58					
Other liabilities	813,895	1,325,676	148,920	151,052	962,815	1,476,72					
Long-term liabilities	3,641,255	1,673,647			3,641,255	1,673,64					
Total liabilities	4,455,150	2,999,323	148,920	151,052	4,604,070	3,150,37					
Deferred inflows of resources	2,377,855	3,260,100			2,377,855	3,260,10					
Net position:											
Net investment in capital assets	44,406,583	38,345,205	2,748,343	1,478,017	47,154,926	39,823,22					
Restricted	4,804,603	4,160,212	-	-	4,804,603	4,160,21					
Unrestricted	15,464,488	18,673,349	444,028	93,245	15,908,516	18,766,59					
Total net position	\$ 64,675,674	\$ 61,178,766	\$ 3,192,371	\$ 1,571,262	\$ 67,868,045	\$ 62,750,02					

An additional portion of the City of Twentynine Palms' net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$15,908,516 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Twentynine Palms is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

		Change in Net P	osition					
	Governmen	tal Activities	Business-Ty	pe Activities	Total			
	2023	2022	2023	2022	2023	2022		
Revenues:								
Program revenues:								
Charges for services	\$ 1,124,836	\$ 1,665,029	\$ 14,349	\$ 5,218	\$ 1,139,185	\$ 1,670,247		
Operating grants and contributions	6,401,746	5,474,903	-	-	6,401,746	5,474,903		
Capital grants and contributions	2,773,636	7,367,880	803,021	475,437	3,576,657	7,843,317		
Property taxes	2,871,282	2,578,043	-	-	2,871,282	2,578,043		
Other taxes	9,375,666	8,554,598	-	-	9,375,666	8,554,598		
Investment earnings	204,344	(179,141)	-	-	204,344	(179,141		
Other	698,390	145,565			698,390	145,565		
Total revenues	23,449,900	25,606,877	817,370	480,655	24,267,270	26,087,532		
Expenses:								
General government	3,799,677	1,525,370	-	-	3,799,677	1,525,370		
Public safety	8,014,426	3,419,956	-	-	8,014,426	3,419,956		
Public works	3,423,803	1,042,868	131,211	262,334	3,555,014	1,305,202		
Community development	1,924,784	4,125,011	-	-	1,924,784	4,125,011		
Economic development	268,388	223,036	-	-	268,388	223,036		
Health and sanitation	81,264	34,975	-	-	81,264	34,975		
Community services	1,467,340	585,416	-	-	1,467,340	585,416		
Interest on long-term debt	38,360	40,939			38,360	40,939		
Total expenses	19,018,042	10,997,571	131,211	262,334	19,149,253	11,259,905		
Change in net position before transfers	4,431,858	14,609,306	686,159	218,321	5,118,017	14,827,627		
Transfers in (out)	(934,950)	(623,487)	934,950	623,487	-	-		
Change in net position	3,496,908	13,985,819	1,621,109	841,808	5,118,017	14,827,627		
Net position, beginning of year, as restated	61,178,766	47,192,947	1,571,262	729,454	62,750,028	47,922,401		
Net position, end of year	\$ 64,675,674	\$ 61,178,766	\$ 3,192,371	\$ 1,571,262	\$ 67,868,045	\$ 62,750,028		

The City's net position increased by \$5,118,017 during the current fiscal year. The increase is mainly attributed to increases in tax revenue and grant revenue. Tax revenues for the year increased primarily due to increased sales taxes and property taxes, which grew by 39% and 11%, respectively, as a result of a stabilized economy after the COVID-19 pandemic. Capital grants and contributions decreased by 54%, this is mainly due to City receiving less grants compared to the prior year. For instance, the City received two grants from the State of California Natural Resources Agency totaling \$8M, of which 75%, or \$6M, was earned and recognized in fiscal year 2022 for the City's downtown revitalization project, Project Phoenix. No grants for a similar amount were received in fiscal year 2023.

Expenses and program revenues - Governmental Activities



Financial analysis of the government's funds

As noted earlier, the City of Twentynine Palms uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Twentynine Palms' governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Twentynine Palms' financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Twentynine Palms governmental funds reported combined ending fund balances of \$20,743,572, an increase of \$1,043,768 in comparison with the prior year. Approximately 44%, or \$9,077,481, of the ending fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has either already been 1) restricted for a variety of purposes by outside sources, \$4,804,603; 2) assigned by the government to a specific purpose, \$6,767,525 or 3) in a non-spendable form \$93,963.

Major Funds

The **General Fund** is the chief operating fund of the City of Twentynine Palms. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,098,342 while total fund balance was \$11,610,172. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 79% of total General Fund expenditures, while total fund balance represents 100% of that same amount. The 79% of unassigned General Fund balance complies with the City's Fund Balance policy.

The fund balance of the City's General Fund increased by \$968,203 during the current fiscal year, primarily due to increased tax revenue and revenues from building permits.

General Fund revenues for the fiscal year ended June 30, 2023, increased by \$1,224,329, or 10%, over the prior year. The overall increase was due to the following factors:

 Tax revenues increased by \$905,713 from the prior year, largely due to a \$614,305 increase in Sales and use taxes as a result of rising inflation and the stabilizing economy after the COVID-19 pandemic. Property assessed values increased by 11.16%, which resulted in an increase of \$293,239 in property tax revenue. Property taxes In lieu of Vehicle License Fee (VLF) also increased by \$381,011 as a result of the increase in assessed valuations.

General Fund expenditures for the fiscal year ended June 30, 2023, increased by \$1,204,767, or 12%, over the prior year. The overall increase was due to the following factors:

- General Government expenditures increased by \$272,491 primarily due to increases in employee-related costs including cost of living adjustment (COLA) of 6.9%, CalPERS retirement system increases, merit increases, and employee reclassifications.
- Public Safety expenditures, generally the City's largest cost, increased by \$383,405 due to increased contract costs with the County of San Bernardino Sherriff's Department.
- Community Development expenditures increased by \$119,862 primarily due to increased contract costs for engineering and building inspections.
- Community Services expenditures increased by \$200,785 due to the City opening its Freedom Plaza (formerly known as Project Phoenix), this plaza is now fully operational and has added approximately \$152,553 in additional operating costs.

The General Fund transferred out \$3,479,961 to the Capital Projects Fund to assist in funding several capital projects, including the reconstruction of the City's community pool at Luckie Park, building improvements and remodels, and the replacement of light poles at Luckie Park. The General Fund also transferred out \$30,000 to various nonmajor funds to cover costs incurred in the normal course of business, and \$934,950 to the Sewer Fund to assist funding for both the Citywide wastewater project and Project Phoenix Package Treatment Plant. Various nonmajor funds transferred out a total of \$20,000 to the General Fund for reimbursement of administrative costs based on approved cost allocations.

The **Community Development Block Grant** was established to account for the activities of the funding provided by the U.S. Department of Housing and Urban Development under the Community Development Block Grant for projects within the City. Current year revenues totaled \$844,872 and current year expenditures totaled \$333,745 resulting in an increase in fund balance of \$511,127. The increase in fund balance is due to the timing of grant reimbursements for the Homekey project.

The **Tourism Business Improvement District** is a special revenue fund established to account for the assessment levied on all existing and future hotels and short-time vacation rentals within the City at a rate of 1.5% per occupied room night rate. The revenues collected through this assessment are designated for marketing the City as a tourism destination. Current year revenues totaled \$403,353 and current year expenditures totaled \$268,388, resulting in an increase in fund balance of \$134,965 for the current year. The main increase is due to the City collecting a higher percentage of assessment fees as a result of a stabilizing economy, as well as receiving higher investment earnings compared to prior year. This fund ended the current fiscal year with a fund balance of \$639,556 as current year revenues offset the prior year's deficit fund balance.

The American Rescue Plan Act (ARPA) was established to account for the activities of the funding provided by the U.S. Department of Treasury under Coronavirus State and Local Fiscal Recovery Funds program. The City received its second installment during FY 2022-23. Current year revenues totaled \$3,118,608. A total of \$3,118,608 was transfer to the general fund to replace lost public sector revenue as provided under the U.S. Treasury's Final Rule. This fund ended the current fiscal year with a fund balance of \$0 as current year revenues offset current year expenditures and transfers.

The **Capital Improvements Fund** was established to account for financial resources, other than Community Development Block Grants, used for the planning, construction, repair and rehabilitation of the City's major capital facilities and infrastructure. Current year revenues and transfers in totaled \$2,624,303 and \$3,479,961, respectively, and current year expenditures totaled \$6,891,327, resulting in an decrease in fund balance of \$787,063 for the current year. This decrease is due to timing of grant reimbursements for various capital projects. At the end of the current fiscal year, the fund balance totaled \$3,877,614, which is assigned for specific capital project as approved by Council. Transfers into the fund are appropriated from the unassigned fund balance of the General Fund as directed by Council from prior year excess fund balances.

Business-type Activities. Revenues and contributions of the City's business-type activities were \$949,299 and \$803,021, respectively for the fiscal year ending June 30, 2023. Expenses for the City's business-type activities were \$131,211 for the year, resulting in a net increase in net position of \$1,621,109.

Fiduciary fund. The private-purpose trust fund accounts for the assets and liabilities transferred from the former Redevelopment Agency to the City as Successor Agency. The net deficit held for RDA dissolution is \$8,867,964.

General fund budgetary highlights

Revenue was more than budgeted by \$1,275,298 as a result of, the City receiving more tax revenues and fees from licenses and permits during the year than was projected.

The total expenditure was under budget by 4%, or \$442,342. The following functions had expenditures over budget: Public Safety - \$33,239, Debt Service - \$18,603, and Capital Outlay - \$73,110.

Capital asset and debt administration

Capital assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2023, amounts to \$48,569,378 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and related facilities. The total increase in the City's investment in capital assets for the current fiscal year was 18%. The increase was primarily due to the increased activity for construction and reconstruction of the City's community pool at Luckie Park.

Capital Assets (Net of depreciation)										
	Governmen	tal Activities	Business-Ty	pe Activities	Total					
	2023	2022	2023	2022	2023	2022				
Land and improvements	\$ 5,304,219	\$ 5,575,859	\$ -	\$ -	\$ 5,304,219	\$ 5,575,859				
Right-of-ways	17,686	17,686	-	-	17,686	17,686				
Construction in progress	3,876,867	3,289,274	1,844,475	542,982	5,721,342	3,832,256				
Building and improvements	21,216,651	14,978,245	-	-	21,216,651	14,978,245				
Machinery and equipment	1,198,819	913,199	-	-	1,198,819	913,199				
Office equipment	68,611	21,893	-	-	68,611	21,893				
Vehicles	85,212	67,517	-	-	85,212	67,517				
Infrastructure	13,944,470	14,706,463	903,868	935,035	14,848,338	15,641,498				
Right-to-use - leases	28,035	-	-	-	28,035	-				
Right-to-use - subscriptions	80,465				80,465					
Total capital assets	\$ 45,821,035	\$ 39,570,136	\$ 2,748,343	\$ 1,478,017	\$ 48,569,378	\$ 41,048,153				

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-term liabilities

At the end of the current fiscal year, the City had no bonded debt because of the dissolution of the Redevelopment Agency and the transfer of its debt to the Successor Agency.

Non-Current Liabilities												
		Governmental Activities				Business-Type Activities Total						
		2023	_	2022		2023	2	022	=	2023	_	2022
Net OPEB liability (Asset)	\$	-	\$	153,371	\$	-	\$	-	\$	-	\$	153,371
Net pension liability		1,881,330		183,382		-		-		1,881,330		183,382
Lease liability		28,231		9,888		-		-		28,231		9,888
Subscription liability		62,149		-		-		-		62,149		-
Facility improvements loan		1,185,555		1,224,900		-		-		1,185,555		1,224,900
Compensated absences	_	483,990	_	285,488					_	483,990	_	285,488
Total long-term liabilities	\$	3,641,255	\$	1,857,029	\$		\$	-	\$	3,641,255	\$	1,857,029

The City's total long-term liabilities increased by \$1,784,196, or 96%, during the current fiscal year mainly due to changes in the City's CalPERS net pension liability.

Additional information on the City's long-term liabilities can be found in Notes 7, 11, and 12 of this report.

Economic factors and next year's budgets and rates

The unemployment rate for the City of Twentynine Palms on June 30, 2023 was 6.30%. The unemployment rate for San Bernardino County was 4.9% and the unemployment rate for the State of California was 4.6%.

Property tax collections for FY 2023-2024 will rise from the 2022-2023 collections because of the increase in property valuations. Property valuations rose by 11.16% from \$1,023,303,791 in FY 2021- 2022 to \$1,137,526,790 in FY 2022-2023.

Housing prices in Twentynine Palms rose. The median home price declined by 4.22% from \$281,909 in 2022 to \$270,000 in 2023.

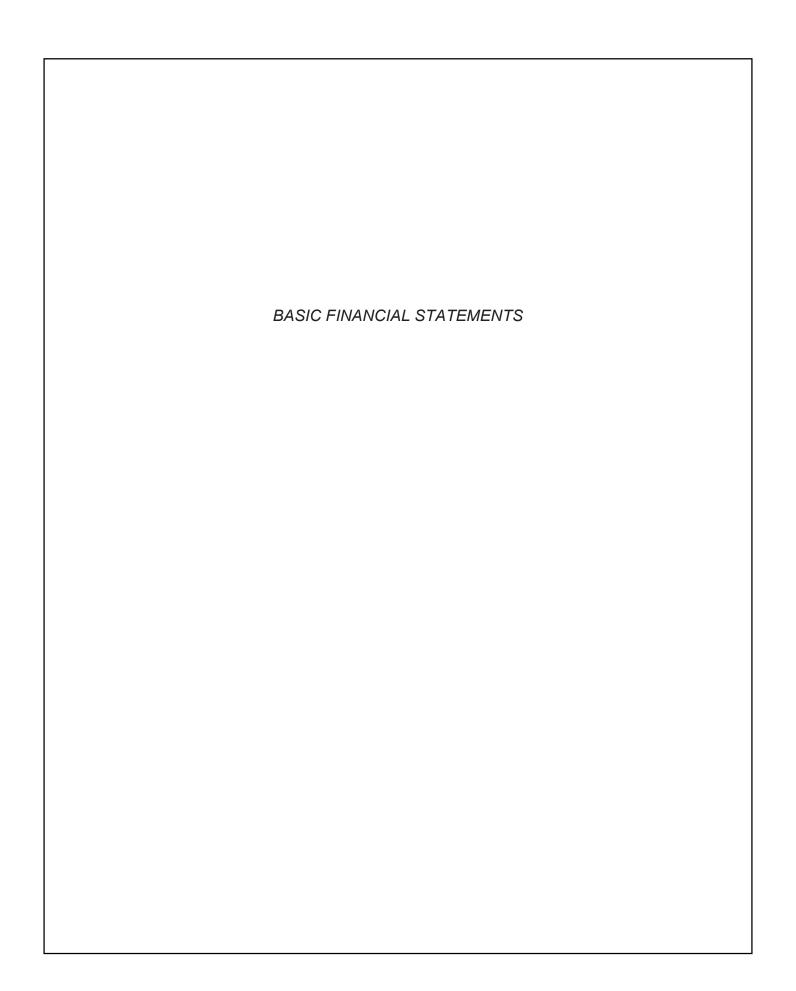
Construction activity in the community has remained steady. The City issued 16 single-family building permits during FY 2022-2023, which is the same as compared to prior year. The high point for the City was FY 2005- 2006 when 330 single-family residence permits were issued.

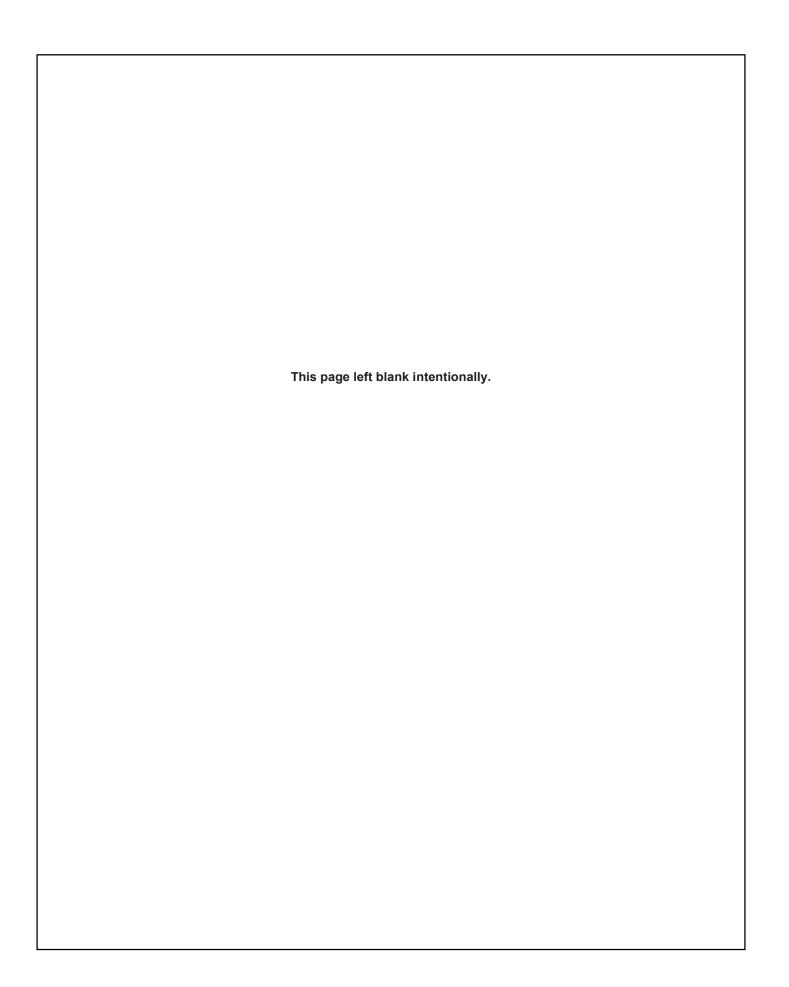
Sales tax collections increased from \$1,586,033 in FY 2021-2022 to \$2,200,338 in FY 2022-2023. Taxable sales are expected to decline slightly in the coming fiscal year due to the continued high inflation, labor shortages, supply chain issues, and rising interest rates.

All of these factors were considered in preparing the budget for the 2023-2024 fiscal year.

Requests for information

This financial report is designed to provide a general overview of the City of Twentynine Palms' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 6136 Adobe Road, Twentynine Palms, CA 92277 or phone (760) 367-6799.





City of Twentynine Palms

Statement of Net Position June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 16,530,615	\$ -	\$ 16,530,615
Cash and investments with fiscal agent - restricted	714,936	-	714,936
Receivables:	47.000		47.000
Intergovernmental Taxes	47,382 1,161,513	-	47,382 1,161,513
Interest	100,143	-	1,161,513
Grants	2,691,801	742,790	3,434,591
Leases	286,020	142,190	286,020
Other	105,725	146	105,871
Prepaid expense	25,200	140	25,200
Internal balances	149,988	(149,988)	-
Land held for resale	93,963	(1.10,000)	93,963
Net OPEB Asset	17,857	_	17,857
Capital assets, not being depreciated	9,198,772	1,844,475	11,043,247
Capital assets, depreciated, net	36,622,263	903,868	37,526,131
Total assets	67,746,178	3,341,291	71,087,469
Deferred outflows of resources			
Pension related	3,545,117	_	3,545,117
OPEB related	217,384	_	217,384
Total deferred outflows of resources	3,762,501	-	3,762,501
Liabilities			
Accounts payable and accrued liabilities	558,327	148,920	707,247
Deposits payable	117,051	-	117,051
Retentions payable	138,517	-	138,517
Noncurrent liabilities:			
Due within one year			
Compensated absences	96,798	-	96,798
Long term liabilities	74,378	-	74,378
Due beyond one year			
Compensated absences	387,192	-	387,192
Long term liabilities	1,201,557	-	1,201,557
Net pension liability	1,881,330		1,881,330
Total liabilities	4,455,150	148,920	4,604,070
Deferred inflows of resources			
Pension related	1,155,064	-	1,155,064
OPEB related	945,279	-	945,279
Leases	277,512	·	277,512
Total deferred inflows of resources	2,377,855		2,377,855
Net position			
Net investment in capital assets	44,406,583	2,748,343	47,154,926
Restricted for:	,,	2,7 10,010	,,,,,,,
Public safety	406,426		406,426
Streets, highways, bikeways, public transit and	,		,
other related purposes	2,347,191	_	2,347,191
Community development	1,195,707	_	1,195,707
Economic development	639,556	_	639,556
Health and sanitation	215,646	_	215,646
Community services	215,646		215,646
Unrestricted	15,464,488	444,028	15,908,516
Officerings	13,404,400	444,020	13,800,310
Total net position	\$ 64,675,674	\$ 3,192,371	\$ 67,868,045

The accompanying notes are an integral part of these financial statements. -13-

City of Twentynine Palms

Statement of Activities For the year ended June 30, 2023

		Program Revenues						
			Charges		Operating	Capital		
			for	,	grants and		grants and	
Functions/Programs	Expenses		services	C	ontributions		contributions	
Governmental activities:								
General government	\$ 3,799,677	\$	96,705	\$	3,164,600	\$	-	
Public safety	8,014,426		108,726		165,306		-	
Public works / streets	3,423,803		184,109		1,413,436		934,068	
Community development	1,924,784		534,853		92,238		-	
Economic development	268,388		-		-		-	
Health and sanitation	81,264		-		52,966		-	
Community services	1,467,340		200,443		1,513,200		1,839,568	
Interest on long-term debt	 38,360	_	-		-		-	
Total governmental activities	 19,018,042		1,124,836		6,401,746		2,773,636	
Business-type activities:								
Sewer	 131,211		14,349		-		803,021	
Total business-type activities	131,211		14,349				803,021	
Total Primary Government	\$ 19,149,253	\$	1,139,185	\$	6,401,746	\$	3,576,657	

General revenues:

Property taxes

Sales and use taxes

Property tax in lieu

Franchise taxes

Transient occupancy taxes

Real property transfer taxes

Motor vehicle in lieu tax

Use of money and property Other

Transfers in (out)

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

The accompanying notes are an integral part of these financial statements.

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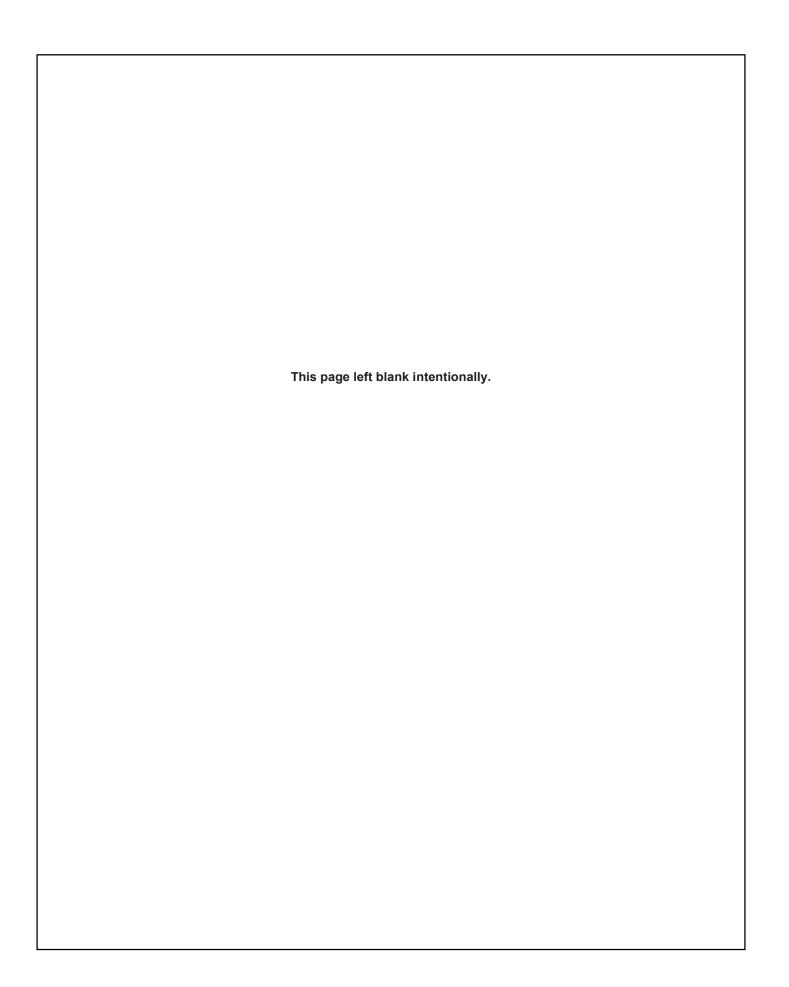
G	overnmental Activities	В	susiness-type Activities	Total
\$	(538,372) (7,740,394) (892,190) (1,297,693) (268,388) (28,298) 2,085,871 (38,360)	\$	- - - - - - -	\$ (538,372) (7,740,394) (892,190) (1,297,693) (268,388) (28,298) 2,085,871 (38,360)
	(8,717,824)		-	(8,717,824)
			686,159	 686,159
			686,159	 686,159
	(8,717,824)		686,159	(8,031,665)
	2,871,282 2,200,338 3,794,419 930,375 2,346,125 76,031 28,378 204,344 698,390 (934,950)		- - - - - - - 934,950	2,871,282 2,200,338 3,794,419 930,375 2,346,125 76,031 28,378 204,344 698,390
	12,214,732		934,950	13,149,682
	3,496,908		1,621,109	5,118,017
	61,178,766		1,571,262	 62,750,028
\$	64,675,674	\$	3,192,371	\$ 67,868,045

The accompanying notes are an integral part of these financial statements. -15-

Balance Sheet Governmental Funds June 30, 2023

					Spec	ial Revenue	
		General	De	ommunity velopment ock Grant	Touri	sm Business provement District	ARPA
Assets							
Cash and investments	\$	9,739,176	\$	-	\$	539,707	\$ -
Cash and investments with							
fiscal agents - restricted		-		-		-	-
Receivables:							
Intergovernmental Taxes		- 888.091		-		-	-
Interest		64,716		-		4,562	-
Grants		11,021		248,746		4,502	-
Leases		286,020		240,740		-	-
Other		200,020		-		98,786	-
Prepaid expenses		25,200		-		90,700	-
Land held for resale		93,963		-		-	
Due from other funds		1,202,729		-		-	-
Due from other funds	_	1,202,729					 -
Total assets	\$	12,310,916	\$	248,746	\$	643,055	\$ -
Liabilities, Deferred Inflows of Resources and Fund Balances Liabilities: Accounts payable and accrued liabilities	\$	301,729	\$	-	\$	3,499	\$ -
Deposits payable		117,051		-		-	-
Retentions payable		-		-		-	-
Due to other funds				248,669			 -
Total liabilities		418,780		248,669		3,499	
Deferred Inflows of Resources							
Unavailable revenues		4,452		_		_	_
Leases		277,512					_
20000	_	211,012					
Total deferred inflows of resources	_	281,964					
Fund balances:							
Nonspendable		93,963		_		_	_
Restricted		406,426		77		639,556	_
Assigned		2,011,441		-		-	-
Unassigned		9,098,342		-		-	-
Total fund balances (deficit)		11,610,172		77		639,556	-
Total liabilities, deferred inflows of							
resources and fund balances	\$	12,310,916	\$	248,746	\$	643,055	\$ _

Capital provements	Total Nonmajor Governmental Funds		G	Total overnmental Funds
\$ 2,522,428	\$	3,729,304	\$	16,530,615
-		714,936		714,936
- - - 1,606,873		47,382 273,422 30,865 825,161		47,382 1,161,513 100,143 2,691,801 286,020
-		6,939		105,725 25,200
<u> </u>		<u> </u>		93,963 1,202,729
\$ 4,129,301	\$	5,628,009	\$	22,960,027
\$ 146,963	\$	106,136	\$	558,327 117,051
86,131		52,386 804,072		138,517 1,052,741
 233,094		962,594	_	1,866,636
 18,593 -		49,262 -		72,307 277,512
 18,593		49,262		349,819
-		- 3,758,544		93,963
- 3,877,614		3,758,544 878,470		4,804,603 6,767,525
 -		(20,861)		9,077,481
3,877,614		4,616,153		20,743,572
\$ 4,129,301	\$	5,628,009	\$	22,960,027



Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2023

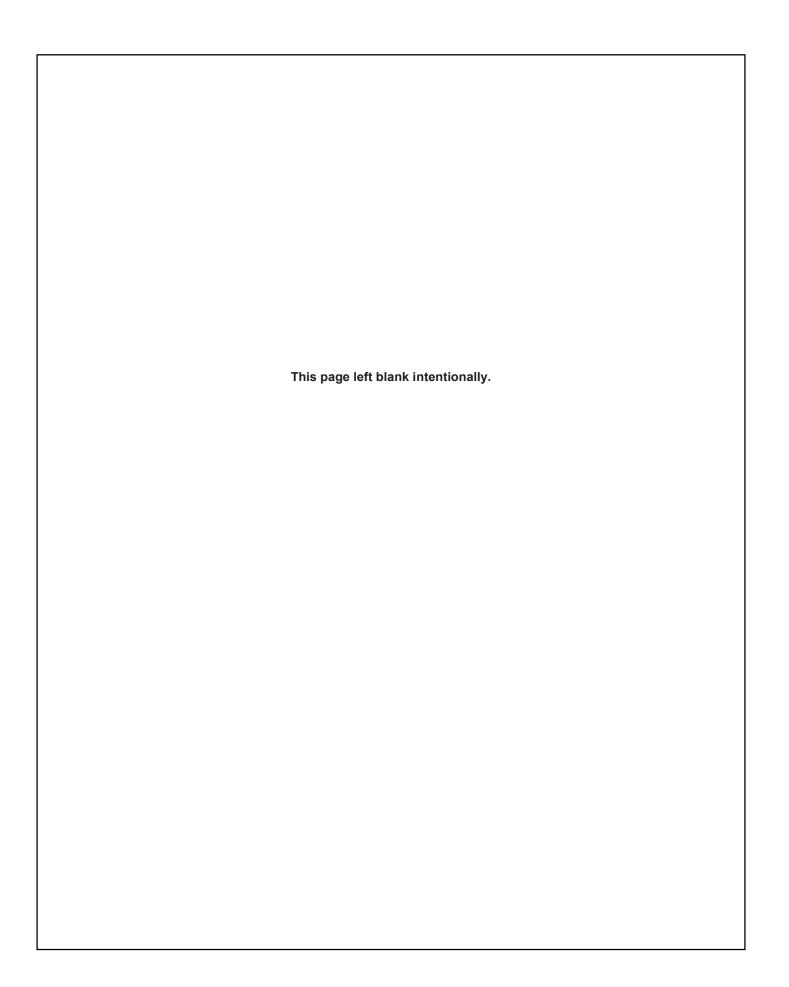
Fund balances of governmental funds	\$ 20,743,572
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets and right to used asset used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:	
Capital assets	62,512,587
Accumulated depreciation	(16,800,052)
Intangible asset	126,307
Accumulated amortization	(17,807)
Statement of Net Position, any excesses or deficiencies in contributions in relation to the	
Net OPEB obligation	17,857
Non current liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Net pension liability	(1,881,330)
Long-term liabilities	(1,275,935)
Compensated absences	(483,990)
Deferred outflows and inflows of resources related to pension and OPEB are not reported in the governmental funds:	
Pension related deferred outflows of resources	3,545,117
OPEB related deferred outflows of resources	217,384
Pension related deferred inflows of resources	(1,155,064)
OPEB related deferred inflows of resources	(945,279)
Deferred inflows of resources related to revenues are not reported in the Statement of Net Position:	
Unavailable revenues	72,307
Net position of governmental activities	\$ 64,675,674

Statement of Revenues, Expenditures and Changes in Fund Balances **Governmental Funds**

For the year ended June 30, 2023

			Special Revenue	
	General	Community Development Block Grant	Tourism Business Improvement District	ARPA
Revenues		Diook Orant		7.1.1.71
Taxes	\$ 11,580,509	\$ -	\$ -	\$ -
Licenses, permits and fees	1,063,598	-	391,021	-
Intergovernmental	330,950	844,872	-	3,118,608
Charges for services	477,587	-	-	-
Fines, forfeitures and penalties	23,307	-	-	-
Use of money and property	98,635	-	10,809	-
Other	175,530		1,523	
Total revenues	13,750,116	844,872	403,353	3,118,608
Expenditures				
Current:				
General government	2,639,084	-	-	-
Public safety	5,725,463	-	-	-
Public works	756,396	-	-	-
Community development	1,241,325	-	-	-
Economic development	-	-	268,388	-
Health and sanitation	1 000 515	40.745	-	-
Community services Debt service:	1,029,515	18,745	-	-
Principal	61,481			
Interest	38,348	-	-	-
Capital outlay	73,110	315,000	_	
' '	-			
Total expenditures	11,564,722	333,745	268,388	
Excess/(deficiency)	0.405.004	544.407	101.005	0.440.000
of revenues under expenditures	2,185,394	511,127	134,965	3,118,608
Other financing sources (uses)				
Subscription acquisition	68,310	-	-	-
Lease acquisition	20,802	-	-	-
Transfers in	3,138,608	-	-	-
Transfers out	(4,444,911)			(3,118,608)
Total other financing sources (uses)	(1,217,191)			(3,118,608)
Net change in fund balances	968,203	511,127	134,965	-
Fund balances (deficit), beginning of year	10,641,969	(511,050)	504,591	
Fund balances, end of year	\$ 11,610,172	\$ 77	\$ 639,556	\$ -

Capital Projects	Total	
	Nonmajor	Total
Capital	Governmental	Governmental
Improvements	Funds	Funds
\$ -	\$ 1,963,281	\$ 13,543,790
φ -	146,990	1,601,609
2,623,870	1,017,114	7,935,414
-	43,352	520,939
-	3,934	27,241
433	94,468	204,345
		177,053
2,624,303	3,269,139	24,010,391
_	63,687	2,702,771
-	-	5,725,463
-	1,689,550	2,445,946
-	133,731	1,375,056
-	-	268,388
-	58,054	58,054
-	-	1,048,260
-	4,788	66,269
-	12	38,360
6,891,327	1,131,085	8,410,522
6,891,327	3,080,907	22,139,089
(4,267,024)	188,232	1,871,302
-	18,304	86,614
3,479,961	30,000	20,802 6,648,569
3,479,901	(20,000)	(7,583,519)
	 	
3,479,961	28,304	(827,534)
(787,063)	216,536	1,043,768
4,664,677	4,399,617	19,699,804
\$ 3,877,614	\$ 4,616,153	\$ 20,743,572



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, 2023

Net changes in fund balances - total governmental funds	\$	1,043,768
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows: Cost of assets capitalized, less the net book value of disposals Depreciation/Amortization expense	d	7,791,787 (1,550,745)
Deferred inflows of resources that are not recognized in the Governmental Funds are recognized in the Statement of Activities: Unavailable revenues	e	(560,491)
The issuance of long term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes current financial resources. These amounts are the net effect of the difference in treatment of long-term debt and related items in the statement of activities:		
Loan repayments Subscription and lease liabilities		66,269 (107,416)
Some expenses reported in the Statement of Activities do not require the use of curren financial resources and, therefore, are not reported as expenditures in the governmenta funds:		
Change in compensated absences payable		(198,502)
Governmental funds report all contributions for pensions and OPEB as expenditures however, in the Statement of Activities, pension expense is actuarially determined: Net Pension liability related net adjustments Net OPEB liability related net adjustments	;	(3,574,784) 587,022
Change in net position of governmental activities	\$	3,496,908

Statement of Net Position Proprietary Funds June 30, 2023

	Enterprise Fund Sewer	
Assets		
Current assets:		
Grants receivable	\$	742,790
Other receivable		146
Total current assets		742,936
Non-current assets:		
Capital assets, not being depreciated		1,844,475
Capital assets, depreciated, net		903,868
Total non-current assets		2,748,343
Total assets		3,491,279
Liabilities		
Current liabilities:		
Accounts payable		148,920
Due to other funds		149,988
Total current liabilities		298,908
Net position		
Investment in capital assets		2,748,343
Unrestricted		444,028
Total net position	\$	3,192,371

Statement of Changes in Net Position Proprietary Funds For the year ended June 30, 2023

	Enterprise Fund Sewer	
Operating revenues		
Charge for services	\$	14,349
Total operating revenues		14,349
Operating expenses		
Other operating expenses		100,044
Depreciation expense		31,167
Total operating expenses		131,211
Operating income (loss)		(116,862)
Non-operating revenues (expenses) Transfers in		934,950
Total nonoperating revenues (expenses)		934,950
Income before contributions		818,088
Contributions		
Contributions		803,021
Total contributions		803,021
Change in net position		1,621,109
Net position, beginning of year		1,571,262
Net position, end of year	\$	3,192,371

Statement of Cash Flows Proprietary Funds For the year ended June 30, 2023

	Ente	erprise Fund Sewer
Cash flows from operating activities	-	
Cash received for services provided	\$	14,602
Cash paid to suppliers for goods and services		(102,176)
Net cash used for operating activities		(87,574)
Cash flows from noncapital financing activities		
Transfers from other funds		934,950
Due to other funds		149,988
Net cash provided by noncapital		
financing activities		1,084,938
Cash flows from capital financing activities		
Cash received from capital grant		219,059
Acquisition of construction in progress		(1,301,493)
Net cash used for capital financing activities		(1,082,434)
Net change in cash and cash equivalents		(85,070)
Cash and cash equivalents, beginning of year		85,070
Cash and cash equivalents, end of year	\$	
Reconciliation of operating income (loss) to net cash used for operating activities		
Operating income (loss)	\$	(116,862)
Adjustments to reconcile operating income (loss) to	Ψ	(::0,00=)
net cash used for operating activities:		
Depreciation expense		31,167
Decrease (Increase) in grants receivables		253
Increase (Decrease) in accounts payable		(2,132)
Net cash provided by (used for) operating activities	\$	(87,574)

Statement of Fiduciary Net Position Fiduciary Fund – Private-Purpose Trust Fund June 30, 2023

	to the Palms R	ssor Agency Twentynine ledevelopment Agency
Assets Current assets:		
Cash and investments	\$	670,362
Prepaid bond insurance	Ψ	122,802
Total assets		793,164
Deferred outflows of resources		
Deferred loss on refunding		1,625,214
Liabilities		
Current liabilities:		
Interest payable		154,854
Noncurrent liabilities:		
Long-term liabilities, due within one year		390,000
Long-term liabilities, due beyond one year		10,741,488
Total liabilities		11,286,342
Net position		
Net position (deficit)		(8,867,964)
Total net position (deficit)	\$	(8,867,964)

Statement of Changes in Fiduciary Net Position Fiduciary Fund – Private-Purpose Trust Fund For the year ended June 30, 2023

	Successor Agency to the Twentynine Palms Redevelopment Agency
Additions	
Property taxes	\$ 961,452
Total additions	961,452
Deductions	
Program expenses	126,368
Interest expense	564,407
Total deductions	690,775
Change in net position	270,677
Net position (deficit), beginning of year	(9,138,641)
Net position (deficit), end of year	\$ (8,867,964)

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 1: Summary of significant accounting policies

The accounting policies of the City of Twentynine Palms (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

(a) Reporting entity

The City was incorporated November 23, 1987, under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City is governed by a five member governing council with the mayor appointed by the council.

The Successor Agency of the Twentynine Palms Redevelopment Agency (Successor Agency) is considered a private purpose trust fund; it cannot be considered a component unit of the City. The Successor Agency took over all assets and liabilities of the former redevelopment agency. It is not included in the government-wide financial statements.

Upon dissolution of the former redevelopment agency, the City elected to serve as the successor Housing Agency and chose to retain the housing assets and functions previously performed by the low and moderate income housing fund of the former redevelopment agency.

(b) Measurement focus and basis of accounting

Basis of presentation

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America. GASB is the accepted standard setting body for governmental accounting and financial reporting principles. These statements require that the financial statements described below be presented:

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 nonfiduciary activities of the primary government (the City). For the most part, the effect of inter-fund 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 rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund (the private purpose trust fund) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 imposed by the providers have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City 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 that are properly not included among program revenues are reported instead as general revenues.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 1: Summary of significant accounting policies (continued)

(b) Measurement focus and basis of accounting (continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary fund, even though the latter is 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 government funds are aggregated and reported as non-major funds.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Governmental funds

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, for this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, grant revenues are considered available within 6 months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

(c) Fund classifications

The City reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Community Development Block Grant Special Revenue Fund – This fund is used to track the activities of the funding provided by the U.S. Department of Housing and Urban Development under the Community Development Block Grant for projects within the City.

Tourism Business Improvement District Fund - this fund accounts for the City's portion of funds designated for marketing the City as a tourism destination.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 1: Summary of significant accounting policies (continued)

(c) Fund classifications (continued)

American Rescue Plan Act (ARPA) Special Revenue Fund – this fund is used to track the activities of the funding provided by the U.S. Department of Treasury under Coronavirus State and Local Fiscal Recovery Funds program.

Capital Improvements Capital Projects Fund - This fund accounts for all capital grants for the acquisition or construction of major capital items, other than CDBG monies.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

Capital Projects Funds - Established to maintain capital projects reserves for the purpose of providing funding for the planning, construction, repair and rehabilitation of the City's capital assets and to track the progress and expenditures in other capital projects of the City.

The City reports the following proprietary fund:

Sewer Fund - This fund accounts for the operation of the City's sewer services.

Additionally, the City reports the following fiduciary fund types:

Private-Purpose Trust Fund - This fund accounts for the activities of the Successor Agency to the Twentynine Palms Redevelopment Agency. The fund's primary purpose is to expedite the dissolution of the former Agency's net position (except for the low and moderate housing funds net position) in accordance with ABx 1 26 and AB 1454.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(d) Cash and investments

The City pools cash and 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. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Investment income earned by the pooled investments is allocated to the various funds on each fund's average cash and investment balance. Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of an investment.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 1: Summary of significant accounting policies (continued)

(e) Receivables and payables

Activity 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 inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Noncurrent portions of long-term inter-fund loan receivables are reported as advances and such amounts are offset equally by a fund balance classification which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

(f) Property taxes

Under California law, property taxes are assessed and collected by the counties up to one percent of assessed value plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes, which are received from the county within sixty days after year-end.

The following are the important dates relating to the City's property taxes:

Lien date March 1 Levy date June 30

Due date November 1 and February 1
Collection dates December 10 and April 10

(g) Inventories

Inventories of material and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

(h) Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and therefore are not available for appropriation.

(i) Capital assets

Capital assets, which include land, machinery and equipment (furniture, vehicles, computers, etc.), buildings and improvements, and infrastructure assets (street systems, storm drains, bridges, etc.), are reported in governmental activities column of the government-wide financial statements. Capital assets are defined by the City as non-infrastructure assets with an initial, individual cost of more than \$5,000 and infrastructure assets with a total project cost of more than \$50,000 with a useful life of at least three years. Such assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at acquisition value at the date acquired or annexed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets as follows:

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 1: Summary of significant accounting policies (continued)

(i) Capital assets (continued)

Assets	Years
Structures and improvements	40
Public domain infrastructure	50
System infrastructure	30
Vehicles	3 to 15
Other equipment and furnishings	3 to 20
Computer equipment	3 to 10

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

(i) Claims and judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

(k) Unearned revenue

In the government-wide financial statements and the fund financial statements, unearned revenue, represents cash advances by various entities that have not been spent; therefore, no revenue has been recognized.

(I) Net position and fund equity

In the government-wide financial statements and the fiduciary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted net position; and unrestricted. The restricted portion of net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets.

The City's other restricted net position is temporarily restricted (ultimately expendable assets). All other net position is considered unrestricted.

(m) Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America require 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 revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

(n) Deferred inflows and deferred outflows of resources

Deferred outflows of resources represent a consumption of net assets that applies to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 1: Summary of significant accounting policies (continued)

(o) Net position flow assumption

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 government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

(p) Fund balance

Generally Accepted Accounting Principles (GAAP) require the following classifications of fund balance which describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned amounts a government intends to use for a specific purpose; intent can be expressed
 by the governing body or by an official or body to which the governing body delegates the
 authority.
- Unassigned amounts that are for any purpose; positive amounts are reported only in a general fund

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. The City Manager has the authority, granted by the Council, to assign City resources. When both restricted and unrestricted resources are available for use when expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is also 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 which amounts in any of those unrestricted fund balance classifications could be used.

(q) Fund balance flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 1: Summary of significant accounting policies (continued)

(r) Pension plan

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date June 30, 2021 Measurement Date June 30, 2022

Measurement Period July 1, 2021 to June 30, 2022

(s) Other Postemployment Benefits (OPEB)

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

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

Valuation date (VD) June 30, 2023 Measurement date (MD) June 30, 2023

Measurement period (MP) July 1, 2022 to June 30, 2023

(t) Implementation of new pronouncement

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Under this Statement, a lessee is required to recognize a SBITA liability and an intangible right-to-use lease asset. For additional information, refer to the disclosures for capital assets and long-term liabilities.

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 2: Stewardship, compliance and accountability

Appropriations limit

Under Article XIIIB of the California Constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2023, proceeds of taxes did not exceed appropriations.

Continuing appropriations

The unexpected and unencumbered appropriations that are available and recommended for continuation are approved by the City Council for carryover to the following fiscal year. These commitments are reported as a reservation of fund balance.

Deficit fund balance

The following funds contained deficit fund balances:

Fund		Amount
Non Major Funds: Special Revenue Funds:		
Traffic Safety	\$	(8,444)
Capital Projects Fund: Streets		(12,417)

Note 3: Cash and investments

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

Statement of Net Position Cash and investments Cash and investments with fiscal agent - restricted Statement of Fiduciary Net Position Cash and investments	\$ 16,530,615 714,936 670,362
Total cash and investments	\$ 17,915,913
Cash and investments as of June 30, 2023 consist of the following:	
Deposits with financial institutions Petty cash Investments	\$ 1,905,034 740 16,010,139
Total cash and investments	\$ 17,915,913

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 3: Cash and investments (continued)

Investments authorized by the California Government Code and the City's investment policy

The table below identifies the investment types that are authorized for the City by the City's investment policy. 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

Authorized investments	Maximum maturity	Maximum percentage of portfolio	Maximum investment in issuer
U.S. Treasury obligations	5 years	None	None
U.S. Agency obligations	5 years	None	None
Negotiable certificates of deposit	5 years	30%	\$ 250,000
Certificates of deposit	5 years	None	\$ 250,000
Checking or passbook savings	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 75,000,000

Investments authorized by debt agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investments	Maximum maturity	Maximum percentage of portfolio	Maximum investment in issuer
U.S. Treasury obligations	None	None	None
U.S. Treasury securities	None	None	None
Commercial paper	None	None	None
Bankers' acceptances	None	None	None
Municipal bonds or notes	None	None	None
Investment agreements	None	None	None
Obligations under IRS Section 103(a)	None	None	None
Regulated investment companies	None	None	None
Interest-bearing deposit accounts	None	None	None
Corporate obligations	None	None	None
Money market funds	None	None	None
Local Agency Investment Fund (LAIF)	None	None	\$ 75,000,000

Interest rate risk

Interest rate risk is the risk that changes 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 3: Cash and investments (continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Remaining maturity (in months)					
Investment type	Amount	12 or less 13 to 24 25 to	More than 60				
State investment pool	\$ 9,896,206	\$ 9,896,206 \$ - \$	- \$ -				
Certificates of deposit	4,908,832	500,784 480,402 3,927	7,646 -				
U.S. Treasury Securities Held by bond trustee: Federated institutional	490,165	490,165 -	-				
tax-free cash trust	714,936	714,936					
Total investments	\$ 16,010,139	<u>\$11,602,091</u>	7,646 \$ -				

Investments with fair values highly sensitive to interest rate fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Concentration of credit risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, non-major funds in the aggregate, etc.).

Fair value measurements

Generally accepted accounting principles (GAAP), provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 3: Cash and investments (continued)

Fair value measurements (continued)

The three levels of the fair value hierarchy under GAAP are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. • If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of Deposits: These investments have a specified contractual term and value and a significant loss of principal could result if the investments are sold prior to maturity. These investments are priced using a matrix formula. Prices are estimates and the actual value you may obtain for the investments may be different if sold in the secondary market. These investments are classified as Level 2 in the hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2023.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 3: Cash and investments (continued)

Fair value measurements (continued)

The City has the following recurring fair value measurements as of June 30, 2023:

Investment type	 Total	Level 1		Level 1 Level 2		 Level 3
Investments at fair value:						
Certificates of deposit	\$ 4,908,832	\$	-	\$	4,908,832	\$ -
U.S. Treasury Securities Held by bond trustee: Federated institutional	490,165		490,165		-	-
tax-free cash trust	714,936		714,936			
Total investments at fair value		\$	1,205,101	\$	4,908,832	\$

Investments not subject to the fair value hierarchy:

 State investment pool
 9,896,206

 Total investments
 \$ 16,010,139

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 (where applicable) the California Government Code, the City's investment policy, or debt agreement, and the actual rating as of the fiscal year end for each investment type.

		Minimum legal	F	Rating as	of y	ear end
Investment type	 Amount	rating	A	\A+		Not rated
State investment pool Certificates of deposit U.S. Treasury Securities Held by bond trustee: Federated institutional	\$ 9,896,206 4,908,832 490,165	N/A N/A N/A	\$	-	\$	9,896,206 4,908,832 490,165
tax-free cash trust	 714,936	Aaa	7	14,936	_	
Total investments	\$ 16,010,139		\$ 7	14,936	\$	15,295,203

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 3: Cash 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 risk 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 units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2023, City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment type	Amount
Federated institutional tax-free cash trust	\$ 714,936

Investment in State investment pool

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.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 4: Inter-fund activity

The following represents the inter-fund activity of the City for the fiscal year ended June 30, 2023:

Transfers

Transfers in	Transfers out		 Amount
General Fund	ARPA - Major Special Revenue Fund Nonmajor funds	a b	\$ 3,118,608 20,000
Capital Improvements - Major Capital Projects Fund	General Fund	С	3,479,961
Nonmajor funds	General Fund	d	30,000
Sewer Fund Total interfund transfers	General Fund	е	\$ 934,950 7,583,519

Significant transfers included in the accompanying financial statements are described as follows:

- a. Transfer from the ARPA Fund to General Fund for government services.
- b. Transfer to the General Fund is for administrative costs incurred for administering the disbursing funds (e.g., Measure I, and Gas Tax). Disbursing funds receive money which are to be used to fund expenditures in other funds.
- c. Transfer from the General Fund to Capital Projects Funds to assist with the funding of several capital projects.
- d. Transfer from the General Fund to assist the receiving fund in covering costs incurred in the normal course of business.
- e. Transfer to Sewer fund to assist funding for both the Citywide wastewater project and Project Phoenix Package Treatment Plant.

Due to/from other funds

Receivable fund	Payable fund		Amount
General	CDBG Nonmajor fund:	\$	248,669
	Traffic Safety		9,061
	SB-1 - Road Maintenance Rehab		23,576
	Streets		771,435
	Sewer		149,988
Total interfund borrowir	ng	\$	1,202,729

Amounts due to/from other funds represent short-term borrowings to cover cash deficits on June 30, 2023.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 5: Lease receivable

On July 1, 2021, the City entered into a 24 month lease as Lessor for the use of Fire Station - 6560 Adobe Road. An initial lease receivable was recorded in the amount of \$67,995. As of June 30, 2023, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$2,822. The lease has an interest rate of 0.5930%. The building's estimated useful life was 372 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$0, and the City recognized lease revenue of \$33,998 during the fiscal year.

On March 11, 2022, the City entered into a 216 month lease as Lessor for the use of ATM Kiosk. An initial lease receivable was recorded in the amount of \$222,585. As of June 30, 2023, the value of the lease receivable is \$212,173. The lessee is required to make monthly fixed payments of \$1,153. The lease has an interest rate of 1.9830%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$206,491 and the City recognized lease revenue of \$12,328 during the fiscal year. The lessee has 5 extension options, each for 36 months.

On July 1, 2021, the City entered into a 371 month lease as Lessor for the use of Lamar Billboard Lease. An initial lease receivable was recorded in the amount of \$70,732. As of June 30, 2023, the value of the lease receivable is \$68,971. The lessee is required to make annual fixed payments of \$1,800. The lease has an interest rate of 1.8040%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$66,156, and the City recognized lease revenue of \$2,288 during the fiscal year. The lessee has 1 extension option, for 240 months.

On February 1, 2022, the City entered into a 24 month lease as Lessor for the use of 7125 Mantonya #A Property. An initial lease receivable was recorded in the amount of \$16,679. As of June 30, 2023, the value of the lease receivable is \$4,876. The lessee is required to make monthly fixed payments of \$698. The lease has an interest rate of 0.3800%. The building's estimated useful life was 168 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$4,865, and the City recognized lease revenue of \$8,340 during the fiscal year.

As of June 30, 2023, the City had total outstanding lease receivables of \$286,020 and related deferred inflows of resources of \$277,512.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 6: Capital assets

Capital assets for governmental activities for the fiscal year ended June 30, 2023 were as follows:

	Beginning			Ending
	balance	Additions	Deletions	balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 4,435,408	\$ 868,811	\$ -	\$ 5,304,219
Right-of-Way	17,686	-	-	17,686
Construction in progress	3,289,274	 7,840,587	(7,252,994)	3,876,867
Total capital assets, not being				
depreciated	7,742,368	 8,709,398	(7,252,994)	9,198,772
Capital assets, being depreciated:				
Building and improvements	19,289,328	6,115,519	(668,887)	24,735,960
Machinery and equipment	2,923,799	448,952	(30,766)	3,341,985
Office equipment	231,265	52,447	(25,825)	257,887
Vehicles	1,254,417	38,597	· - '	1,293,014
Infrastructure	23,684,969	-	-	23,684,969
Right-to-use - leases	11,291	20,802	_	32,093
Right-to-use - subscriptions		 94,214		94,214
Total capital assets, being				
depreciated	47,395,069	 6,770,531	(725,478)	53,440,122
Less accumulated depreciation for:				
Building and improvements	(3,170,632)	(582,416)	233,739	(3,519,309)
Machinery and equipment	(2,010,600)	(163,332)	30,766	(2,143,166)
Office equipment	(209,372)	(5,729)	25,825	(189,276)
Vehicles	(1,186,900)	(20,902)	-	(1,207,802)
Infrastructure	(8,978,506)	(761,993)	-	(9,740,499)
Right-to-use - leases	(1,434)	(2,624)	-	(4,058)
Right-to-use - subscriptions		 (13,749)		(13,749)
Total accumulated depreciation	(15,557,444)	 (1,550,745)	290,330	(16,817,859)
Total capital assets being depreciated, net	31,837,625	 5,219,786	(435,148)	36,622,263
Total capital assets, governmental activities	\$39,579,993	\$ 13,929,184	\$ (7,688,142)	\$45,821,035

Current year capital outlay accounts included certain project costs related to repairs, maintenance, and improvements that were not capitalized.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 6: Capital assets (continued)

Capital assets for business-type activities for the fiscal year ended June 30, 2023, were as follows:

	Beginning balance	Additions	Deletions	Ending balance
Business-type activities:				
Capital assets, not being depreciated: Construction in progress	\$ 542,982	\$ 1,301,493	\$ -	\$ 1,844,475
Total capital assets, not being depreciated	542,982	1,301,493		1,844,475
Capital assets, being depreciated: Infrastructure	935,035			935,035
Total capital assets, being depreciated	935,035			935,035
Less accumulated depreciation for: Infrastructure		(31,167)		(31,167)
Total accumulated depreciation		(31,167)		(31,167)
Total capital assets being depreciated, net	935,035	(31,167)		903,868
Total capital assets, business-type activities	\$ 1,478,017	\$ 1,270,326	\$ -	\$ 2,748,343

Depreciation expense was charged to functions/programs of the primary government as follows:

	G:	overnmental activities
General government	\$	326,885
Public safety		657,778
Public works		281,006
Community development		157,975
Health and sanitation		6,670
Community services		120,431
Total depreciation expense	\$	1,550,745

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 7: Long-term liabilities

Long-term liability activity of the City for the fiscal year ended June 30, 2023, was as follows:

	 Beginning balance		Additions)eletions	Ending balance	 ue within ne year
Direct borrowings: Facility improvements loan	\$ 1,224,900	\$	-	\$	(39,345)	\$ 1,185,555	\$ 40,592
Lease liability	9,888		20,802		(2,459)	28,231	6,108
Subscription liability	-		86,614		(24,465)	62,149	27,678
Total long-term liabilities	\$ 1,234,788	\$	107,416	\$	(66,269)	\$ 1,275,935	\$ 74,378

Direct Borrowings - Facility improvements loan

On April 1, 2019, the City entered into an agreement to finance certain Energy Efficiency Projects under the Infrastructure State Revolving Fund Program (ISRF Program) in an amount not to exceed \$1,300,000. The proceeds of such obligation will be used to reimburse the City for expenditures incurred or paid prior to incurring the obligation (reimbursement basis). The loan has a term not to exceed 25 years, with an interest rate of 3.17%. The City financed the origination fee of 1.00% or \$13,000 upon loan closing. In addition, the loan calls for additional annual payments in an amount equal to 0.3% of the outstanding principal, totaling \$54,528 over the life of the loan. The remaining balance of the additional payments is presented in the table below. As of June 30, 2023, the outstanding principal balance of the loan was \$1,185,555.

Estimated future debt service requirements are as follows:

Facility improvements loan								
Year ending		Additional						
June 30,		Principal	pa	ayments	Interest			
2024	\$	40,592	\$	3,557	\$	36,939		
2025		41,879		3,435		35,632		
2026		43,206		3,309		34,283		
2027		44,576		3,180		32,892		
2028		45,989		3,046		31,456		
2029-2033		252,761		13,070		134,105		
2034-2038		295,444		9,031		90,744		
2039-2043		345,336		4,309		40,061		
2044		75,772		227		1,201		
Totals	\$	1,185,555	\$	43,164	\$	437,311		

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 7: Long-term liabilities (continued)

Upon default, the Lessor or its assignee, in addition to all other rights and remedies it may have at law or in equity, shall have the option to terminate the Financing Lease on account of default by the City, notwithstanding any retaking of possession or re-letting of the leased asset. In the event of such termination, the City agreed to surrender immediately possession of the leased asset, without let or hindrance, and to pay the Lessor or its assignee all damages recoverable at law that the Lessor or its assignee may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the leased asset. The City Hall was pledged as collateral for this loan. The Financing Lease and the interest of the City in the leased asset may not be assigned or encumbered by the City except as permitted by Section 2.04 of the Financing Lease. Failure to comply with this provision constitutes an event of default.

Lease Liability

On November 1, 2021, the City entered into a 63 month lease as Lessee for the use of Kyocera TASKAlfa 6053ci Printer/Scanner - P&R. An initial lease liability was recorded in the amount of \$11,291. As of June 30, 2023, the value of the lease liability is \$7,771. The City is required to make monthly fixed payments of \$199. The lease has an interest rate of 1.082%. The equipment estimated useful life was 60 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2023, of \$11,291 with accumulated amortization of \$3,584 is included with lease assets, detailed in Note 6.

On May 20, 2023, the City entered into a 60 month lease as Lessee for the use of Community Development Printer - Xerox C8170-H2. An initial lease liability was recorded in the amount of \$20,802. As of June 30, 2023, the value of the lease liability is \$20,460. The City is required to make monthly fixed payments of \$420. The lease has an interest rate of 2.31%. The equipment estimated useful life was 60 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2023, of \$20,802 with accumulated amortization of \$474 is included with lease assets, detailed in Note 6.

Estimated future debt service requirements are as follows:

Lease liability							
Year ending			_				
June 30,	Principal	Interest	Total				
2024	\$ 6,108	\$ 511	\$ 6,619				
2025	6,231	388	6,619				
2026	6,349	270	6,619				
2027	5,547	150	5,697				
2028	3,996	46	4,042				
Totals	\$ 28,231	\$ 1,365	\$ 29,596				

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 7: Long-term liabilities (continued)

Subscription Liability

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On December 12, 2022, the City entered into a 48 month subscription for the use of GeoViewer Online License Software - Public. An initial subscription liability was recorded in the amount of \$18,304. As of June 30, 2023, the value of the subscription liability is \$13,515. The City is required to make annual fixed payments of \$4,800. The subscription has an interest rate of 3.238%. The value of the right-to-use asset as of June 30, 2023, of \$21,104 with accumulated amortization of \$2,916 is included with subscription assets, detailed in Note 6. The City has 1 extension option for 12 months.

On December 12, 2022, The City entered into a 48 month subscription for the use of GeoViewer Online License Software - City. An initial subscription liability was recorded in the amount of \$37,371. As of June 30, 2023, the value of the subscription liability is \$27,594. The City is required to make annual fixed payments of \$9,800. The subscription has an interest rate of 3.238%. The value of the right-to-use asset as of June 30, 2023 of \$42,170 with accumulated amortization of \$5,828 is included with Subscription assets, detailed in Note 6. The City has 1 extension option for 12 months.

On January 1, 2023, The City entered into a 24 month subscription for the use of Parks and Recreation Management SaaS. An initial subscription liability was recorded in the amount of \$16,633. As of June 30, 2023, the value of the subscription liability is \$13,233. The City is required to make annual fixed payments of \$6,800. The subscription has an interest rate of 2.56%. The value of the right-to-use asset as of June 30, 2023 of \$16,633 with accumulated amortization of \$3,992 is included with Subscription assets, detailed in Note 6. The City has 1 extension option for 12 months.

On May 10, 2023, The City entered into a 24 month subscription for the use of DebtBook Platform. An initial subscription liability was recorded in the amount of \$14,307. As of June 30, 2023, the value of the subscription liability is \$7,807. The City is required to make annual fixed payments of \$6,500. The subscription has an interest rate of 2.47%. The value of the right-to-use asset as of June 30, 2023 of \$14,307 with accumulated amortization of \$1,013 is included with Subscription assets, detailed in Note 6.

Estimated future debt service requirements are as follows:

Subscription liability								
Year ending								
June 30,	_Principal_	Interest	Total					
2024	\$ 27,678	\$ 1,722	\$ 29,400					
2025	20,329	1,071	21,400					
2026	14,142	458	14,600					
Totals	\$ 62,149	\$ 3,251	\$ 65,400					

Long-term liabilities are generally liquidated by the General Fund.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 8: Compensated absences

For governmental funds, accumulated vacation and sick leave benefits payable in future years when used by the City employees amounted to \$483,990 at June 30, 2023. These amounts are payable from future resources and therefore have been recorded in long-term liabilities in the government-wide financial statements. Vacation benefits and sick leave are recorded as expenditures in the related governmental fund financial statements when used. Upon retirement or termination, the expenditures are recorded in the fund which incurred the original obligation. Compensated absences liabilities are generally liquidated by the General Fund. The following is a summary of changes in compensated absences for the year ended June 30, 2023:

	Beginning balance		Net Change		Ending balance		Due within one year	
Compensated absences: Governmental funds	\$	285,488	\$	198,502	\$	483,990	\$	96,798
Total compensated absences	\$	285,488	\$	198,502	\$	483,990	\$	96,798

Note 9: Property held for resale

The City's Redevelopment Agency had acquired property from the City as part of its primary purpose to develop unimproved properties. The Redevelopment Agency's Capital Improvements Fund had carried the land at the lower of cost or estimated net realizable value which was \$126,850 at June 30, 2012. As of February 1, 2012, the Agency ceased to exist, and the property was transferred to the Successor Agency. The Successor Agency sold these four properties to the City.

The General Fund purchased the land for \$93,963 as a part of the Lear traffic signal installation. The City intends to eventually sell the land.

As part of the City's downtown revitalization project, Project Phoenix, the City acquired 42 parcels from FY 2002 to FY 2022 to enable the redevelopment of Project Phoenix. These parcels are located south of Rt. 62 (Twentynine Palms Highway), west of Cholla Avenue, east of Tamarisk Avenue, and north of Cactus Drive. To facilitate the development of the project, the 42 parcels were combined into 7 parcels, which will consist of a plaza site, a Community and Cultural/Visitor Center site, one housing/hotel site, 3 parcels for public parking lots with the paseo, and a package treatment plant site. On January 25, 2022, the City Council approved the purchase, sale and development agreement with Greens Development Inc. for the sale of a property within the boundaries of Project Phoenix for \$416,246 and the subsequent development of a 95-unit hotel. The sale was concluded during FY 22/23.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 10: Successor Agency long-term debt

The debt of the Successor Agency as of June 30, 2023 is as follows:

Description	Beginning balance	Additions		Deletions		Ending balance	Due within one year
Tax Allocation Bonds: Direct placements:							
2018 Tax Allocation Refunding	\$ 11,750,000	\$	-	\$	(375,000)	\$ 11,375,000	\$ 390,000
Less deferred amounts:							
2018 TARB	(256,328)		-		12,816	(243,512)	
Total bonds payable	\$ 11,493,672	\$		\$	(362,184)	\$ 11,131,488	\$ 390,000

Future debt service requirements are as follows:

2018 Tax Allocation Refunding Bonds								
Year ending				_				
June 30,		Principal		Interest				
2024	\$	390,000	\$	457,981				
2025		400,000		444,400				
2026		410,000		429,969				
2027		435,000		414,653				
2028		450,000		398,613				
2029-2033		2,480,000		1,707,753				
2034-2038		3,045,000		1,133,869				
2039-2043		3,765,000		413,206				
Totals	\$	11,375,000	_\$	5,400,444				

On April 19, 2011, the Twentynine Palms Redevelopment Agency (the Redevelopment Agency) issued its 2011 Tax Allocation Bonds, Series A and B (the Bonds) in order to fund the Redevelopment Agency's Project Phoenix. Subsequently, on December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 that provided for the dissolution of all redevelopment agencies in the State of California as of February 1, 2012. Subsequent to December 29, 2011, the City and the Successor Agency to the Twentynine Palms Redevelopment Agency (the Successor Agency) entered into an agreement in which the City was to take over the responsibilities of overseeing the completion of Project Phoenix. Therefore, on June 29, 2012, the Successor Agency, in accordance with the above-mentioned agreement, transferred to the City the remaining proceeds of the Bonds in the amount of \$11,034,138 in order for the City to commence with the project. The outstanding balance of the bonds was transferred to the Successor Agency on February 1, 2012, as part of the former Agency's dissolution in accordance with AB X1 26 and AB 1484.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 10: Successor Agency long-term debt (continued)

In accordance with the provisions of ABX 1 26 (Bill) and the California Supreme Court's decision to uphold the Bill, the obligations of the former redevelopment agency became vested with the funds established for the successor agency upon the date of dissolution, February 1, 2012. Former tax increment revenues pledged to fund the debts of the former redevelopment agency will be distributed to the Successor Agency subject to the reapportionment of such revenues as provided by the Bill.

On June 6, 2018, the Successor Agency to the Redevelopment Agency issued its Tax Allocation Refunding Bonds, Series 2018 (Federally Taxable) to fully refund the former Redevelopment Agency's 2011 Tax Allocation Bonds, Series A & B. The refunding resulted in significant annual savings by lowering the annual debt service payments. The balance of the refunding debt as of June 20, 2023, is \$11,375,000.

The payments due under the indenture are secured primarily by a pledge of, security interest in and lien on Tax Revenues (as defined in the Indenture) allocated as described therein and payable on a parity with certain other obligations described in the indenture.

In the event of default, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the bonds then outstating, the Trustee shall, by written notice to the Successor Agency, (a) declare the principal of the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity.

Under the indenture, the principal due on the bonds is subject to acceleration upon the occurrence of an Event of Default. If an Event of Default occurs under the Indenture, as practical matter, bond owners will be limited to enforcing the obligation of the Successor Agency to repay the bonds on an annual basis to the extent of the Tax Revenues. No real or personal property in the Project Area is pledged to secure the bonds, and it is not anticipated that the Successor Agency will have available monies sufficient to redeem all of the bonds upon occurrence of an Event of Default.

Note 11: Pension Plan

A. General information about the Pension Plan

Plan description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and an inactive safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

A. General information about the Pension Plan (continued)

Plan description (continued)

The City sponsors four rate plans (two miscellaneous and two inactive safety). In 2016, the City of Twentynine Palms accepted the Twentynine Palms Water District (Water District) PERS Pension Liability within the LAFCO (Local Agency Formation Commission) proceedings that transferred the fire responsibility from the Water District to the County of San Bernardino Fire District. As part of the financial obligation, the Water District not only obligated the Pension Liability but also transferred cash to offset the Liability held in a PARS (Public Agency Retirement System) account. This represents the two safety rates of the inactive plan (PEPRA and Miscellaneous Safety) provided by the City. Benefit provisions under the Plan are established by State statute and City's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

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 with statutorily reduced benefits. All members are eligible for non-duty 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. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

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

Miscellaneous							
Hire date Benefit formula Benefit vesting schedule Benefit payments Retirement age Monthly benefits, as a % of eligible compensation Required employer contribution rates	Prior to January 1, 2013 2.5 % @ 55 5 years service monthly for life 50 - 67 2.0% to 2.5% 12.210%	On or after January 1, 2013 2% @ 62 5 years service monthly for life 52-67 1.0% to 2.5% 7.470%					
Safety		_					
Hire date Benefit formula Benefit vesting schedule Benefit payments Retirement age Monthly benefits, as a % of eligible compensation Required employer contribution rates	Prior to January 1, 2013 3% @55 5 years service monthly for life 50 2.4% to 3.0% 0.000%						

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

A. General information about the Pension Plan (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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' 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023, were \$376,725. The actual employer payments of \$311,225 made to CalPERS by the City during the measurement period ended June 30, 2022, differed from the City's proportionate share of the employer's contributions of \$1,203,745 by \$892,520, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

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Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

B. Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date June 30, 2021 Measurement Date June 30, 2022

Actuarial Cost Method Entry Age Normal in accordance with the requirements of GASB 68

Asset Valuation Method Fair Value of Assets

Actuarial Assumptions:

Discount Rate 6.90% Inflation 2.30%

Salary Increases Varies by Entry Age and Service

Mortality Rate Table (1) Derived using CALPERS' membership data for all funds The lesser of contract COLA or 2.30% until Purchasing Power Post Retirement Benefit Increase

Protection Allowance floor on purchasing power applies, 2.30%

thereafter.

The General Fund typically has been used in prior years to liquidate net pension liabilities.

Long-term expected rate of return

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

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

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

B. Net Pension Liability (continued)

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

	Assumed Asset	
Asset Class	Allocation	Real Return ^{1,2}
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

¹ An expected inflation of 2.30% used for this period.

Change of assumptions

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

² Figures are based on the 2021 Asset Liability Management study.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

B. Net Pension Liability (continued)

Subsequent events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Pension plan fiduciary net position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

C. Proportionate Share of Net Pension Liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)							
	Plar	n Total Pension	F	Plan Net Pension				
		Liability	Position			Liability (Asset)		
		(a)	(b)			(c) = (a) - (b)		
Balance at: 6/30/2021 (VD)	\$	22,482,931	\$	24,674,990	\$	(2,192,059)		
Balance at: 6/30/2022 (MD)		24,046,583		22,165,253		1,881,330		
Net changes during 2021-22		1,563,652		(2,509,737)		4,073,389		

Valuation Date (VD), Measurement Date (MD).

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the total Plan as of the June 30, 2021 and 2022 measurement dates was as follows:

Proportionate share of NPL - June 30, 2022	(0.04053) %
Proportion share of NPL - June 30, 2023	0.01629 %
Change - Increase (Decrease)	0.05682 %

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 of the Plan as of the measurement date, calculated using the discount rate of 6.9 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.9 percent) or 1 percentage-point higher (7.9 percent) than the current rate:

	Discount Rate - 1% (5.90%)		 rent Discount ate (6.90%)	Discount Rate + 1% (7.90%)		
Plan's Net Pension Liability/(Asset) - Misc. Plan's Net Pension	\$	3,865,747	\$ 1,179,461	\$	(1,030,686)	
Liability/(Asset) - Safety Total	\$	1,301,294 5,167,041	\$ 701,869 1,881,330	\$	211,975 (818,711)	

Amortization of deferred outflows and deferred inflows of resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments 5 year straight-line amortization

All other amounts

Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

Amortization of deferred outflows and deferred inflows of resources (continued)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2021), the City's net pension liability/(asset) was \$(2,192,059). For the measurement period ending June 30, 2022 (the measurement date), the City incurred a pension expense of \$3,951,510.

As of June 30, 2023, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Changes of assumptions Differences between expected and actual experience Differences between projected and actual investment earnings Differences between employer's contributions and proportionate share of contributions Change in employer's proportion Pension contributions made subsequent to measurement date Totals	\$	120,860 23,686 216,046 - 2,305,249 319,836 2,985,677	\$	15,864 - 862,167 - 878,031
Safety		red Outflows Resources		rred Inflows Resources
Changes of assumptions Differences between expected and actual experience Differences between projected and actual investment earnings Differences between employer's contributions and proportionate share of contributions Change in employer's proportion Pension contributions made subsequent to measurement date Totals	\$	70,770 29,048 110,835 - 291,898 56,889 559,440	\$	7,622 - 269,411 - - 277,033

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 11: Pension Plan (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense. Contributions subsequent to the measurement date of \$376,725 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ending						
June 30:	Miscellaneous		Safety	Total		
2024	\$	603,819	\$ 52,662	\$	656,481	
2025		640,649	63,507		704,156	
2026		411,201	41,738		452,939	
2027		132,141	67,611		199,752	
2028		-	-		-	
Thereafter					-	
	\$	1,787,810	\$ 225,518	\$	2,013,328	

E. Payable to the Pension Plan

At June 30, 2023, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year then ended.

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Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 12: Other post-employment benefits (OPEB)

Plan description

The City has established a Retiree Healthcare Plan (OPEB Plan), and participates in an agent multipleemployer defined benefit retiree healthcare plan. The City pays the first \$500 per month for each current employee hired before 9/1/2017; employees hired on or after 9/1/17 receive only the PEMHCA minimum.

Retired employees are eligible for the same plans as active employees, subject to Medicare supplement for those who qualify. The City currently pays 500 per month toward each retiree's premiums for those hired before 9/1/17. The City does not issue a financial report for the plan. A separate financial report is not prepared for the OPEB Plan.

Employees covered

As of the June 30, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	39
Inactive employees or beneficiaries currently receiving benefits	25
Total	64

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City. The City contributes 100% of the retiree and dependent up to the maximum of cost of \$500 per month. For the fiscal year ended June 30, 2023, the City's did not make any cash contributions to the trust. In Fiscal Year 2010, the City created a California Employer's Retiree Benefit Trust (CERBT) with California Public Employees Retirement System (CalPERS) for the purpose of prefunding obligations for past services. The City terminated the contract with CalPERS in November 2021 and transferred assets to an OPEB trust held with PARS.

Net OPEB Liability

The City's net OPEB liability was based on an actuarial valuation as of June 30, 2023, and a measurement date of June 30, 2023. The Total OPEB Liability was determined using an actuarial valuation as of June 30, 2023, using the following actuarial assumptions:

Actuarial Assumptions:

Discount Rate 5.75% Inflation 2.50% Salary Increases 2.75% Investment Rate of Return 5.75%

Mortality Rate Pre-retirement mortality rates were based on the 2021 CalPERS

Retiree Mortality for All Employees table created by CalPERS

Healthcare Trend Rate 4.00%

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 12: Other post-employment benefits (OPEB) (continued)

Net OPEB Liability (continued)

The long-term expected rate of return (LTROR) on OPEB plan investments was determined by CERBT using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions):

	Percentage of	Assumed Gross
Asset Class	Portfolio	Return
All Domestic Equities	50%	7.25%
All Fixed Income	45%	4.25%
Short-Term Gov't Fixed	5%	3.00%
Total	100%	

The General Fund typically has been used in prior years to liquidate net OPEB liabilities.

Discount rate

The discount rate reflects a 5.75% per year net of expenses. This is based on assumed long-term return on employer assets using the "Building Block Method". The assessment of long-term returns for employer assets is based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq.

Change of assumptions

There were no changes in assumptions in the current valuation.

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Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 12: Other post-employment benefits (OPEB) (continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (a)		n Fiduciary Position (b)	Net OPEB Liability/(Asset) (c)= (a) - (b)		
Balance at June 30, 2022						
(Valuation Date June 30, 2023)	\$	2,382,508	\$ 2,229,137	\$	153,371	
Changes recognized for the						
measurement period:						
Service Cost		53,743	-		53,743	
Interest on the total OPEB						
liability/return on FNP		133,281	166,880		(33,599)	
Changes in assumptions		9,789	-		9,789	
Plan experience differences		(31,507)	-		(31,507)	
Contributions - employer		-	182,885		(182,885)	
Benefit payments		(182,885)	(182,885)		-	
Administrative expenses			 (13,231)		13,231	
Net Changes		(17,579)	 153,649		(171,228)	
Balance at June 30, 2023						
(Measurement Date June 30, 2023)	\$	2,364,929	\$ 2,382,786	\$	(17,857)	

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

		Current						
	1%	1% Decrease 4.75%		Discount Rate 5.75%		1% Increase 6.75%		
Net OPEB Liability/(Asset)	\$	211,323	\$	(17,857)	\$	(213,100)		

Sensitivity of the Net OPEB Liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	1%	Decrease	_	nt Healthcare Trend Rates	1% Increase	
Net OPEB Liability/(Asset)	\$	(84,581)	\$	(17,857)	\$	58,405

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 12: Other post-employment benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability to changes in the health care cost trend rates (continued)

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss.

5 years

Recognition of deferred outflows and deferred inflows of resources

Net difference between projected and actual earnings on OPEB plan investments

All other amounts Expected average remaining service lifetime (EARSL) (7.4 Years at June 30, 2023)

OPEB plan fiduciary net position

PARS issues a publicly available financial report that may be obtained from the Public Agency Retirement Services, 4350 Von Karman Ave, Newport Beach, CA 92660.

OPEB expense related to OPEB

For the fiscal year ended June 30, 2023, the City recognized OPEB credit of \$404,137. As of fiscal year, ended June 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

	C	Deferred Outflows Resources	Deferred Inflows Resources
Changes of assumptions	\$	86,593	\$ 915,916
Differences between expected			
and actual experience		33,891	29,363
Net difference between projected and actual earnings on			
OPEB plan investments		96,900	
Total	\$	217,384	\$ 945,279

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Defe	erred (Inflows) of Resources
2024	\$	(469,739)
2025		(344,930)
2026		72,247
2027		436
2028		8,461
Thereafter:		5,630
	\$	(727,895)

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 13: Jointly controlled government

On October 16, 1989, the Morongo Basin Transit Authority (the Authority) was created as a joint powers agency by the County of San Bernardino, the City of Twentynine Palms, and the Town of Yucca Valley. The system will provide transit services in the City and certain surrounding areas of the Morongo Basin as a means of meeting the transit needs of various transit-dependent groups within the area. The system is primarily funded by Article 8 funds. The City has an ongoing responsibility for providing funding on an annual basis for operating costs of the Authority, but the City has no equity interest in, or claim to the assets of, the Authority.

Summarized audited financial information of the Morongo Basin Transit Authority for the year ended June 30, 2022, is as follows:

Current assets Noncurrent assets Total assets	\$ 8,704,368 5,611,287 14,315,655
Deferred outflows of resources	 882,604
Total liabilities	7,251,412
Deferred inflows of resources Total net position	\$ 1,088,008 6,858,839
Operating revenue Operating expenses Operating loss Non-operating revenue Net loss before contributed capital Contributed capital	\$ 600,150 (5,294,261) (4,694,111) 3,700,710 (993,401) 981,408
Change in net position	\$ (11,993)

The financial statements can be obtained from the Authority at 62405 Verbena Road, Joshua Tree, CA 92252.

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 14: Risk management

The City of Twentynine Palms (the City) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Member Entity obtains insurance coverage.

The City is a member of the Public Agency Risk Sharing Authority of California-PARSAC (Authority), a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers' compensation, and property claims. Under the program, the City has a \$ 10,000 retention limit similar to a deductible with the Authority being responsible for losses above that amount up to \$1 million. The Authority has additional coverage of \$49 million in excess of its \$1 million retention limit through affiliated risk management authorities. The Authority also provides one billion dollars aggregate per occurrence property coverage to its members with such coverage provided by purchased insurance.

Liabilities of the City are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate.

The Authority covers workers' compensation claims up to its self-insurance limit of \$500,000. The Local Agency Workers Compensation Excess Pool provides excess coverage to statutory limits. The City pays an annual premium to the Authority and may share in any surplus revenues or may be required to pay additional assessments based upon the Authority's operating results. Financial statements of the Public Agency Risk Sharing Authority of California (PARSAC) may be obtained from its administrative office located at 2330 E. Bidwell Street, Suite 150, Folsom, California, 95630; www.cira-jpa.org or by calling (916) 927 - 7727.

Liability for uninsured claims

The City estimates its liability for the uninsured portion of claims, including a provision for claims incurred but not reported, based on claims experience. Estimated incurred but not reported claims liabilities in the following table are not material to the City and are therefore not accrued in the financial statements. Claims activity for the year ended June 30, 2023 and the two previous years was as follows:

				rent year ims and				
Fiscal year	В	eginning	ch	anges in	Ac	tual claim	E	End of
ended June 30,	(of year	es	estimates		ayments		year
2021	\$	50,000	\$	10,500	\$	(41,721)	\$	18,779
2022		18,779		39,774		(27,110)		31,443
2023		31,443		22,300		(5,211)		48,532

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 14: Risk management (continued)

At June 30, 2023, total estimated claims payable is held in unassigned fund balances in the General Fund with an amount equal to \$48,532. The City retains a risk of loss due to the fact there is a deductible per occurrence and that actual losses may exceed estimated claims or coverage amounts. The City pays an annual premium to the PARSAC and may share in any surplus revenues or may be required to pay additional assessments based upon the PARSAC operating results.

There was no significant reduction in insurance coverage by major categories of risk from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023. Furthermore, there was no settlement which exceeded the insurance coverage for the past three fiscal years.

Note 15: Commitments and contingencies

Litigation

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material adverse effect on the financial position of the City.

Grants

The City has received State and Federal funds for specific purposes that are subject to audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Note 16: Governmental fund balances

The specific purposes/functions for fund balances classified as non-spendable, restricted, committed, assigned, and unassigned, as of June 30, 2023, are displayed below:

	General		Deve	munity lopment k Grant	Tour	cial Revenue ism Business provement District	ARPA	 Capital provements	Total Nonmajor overnmental Funds	Go	Total overnmental Funds
Nonspendable:								 			
Land held for resale	\$	93,963	\$	-	\$	-	\$ -	\$ -	\$ -	\$	93,963
Restricted for:											
Public safety		406,426		-		-	-	-	-		406,426
Public works		-		-		-	-	-	2,347,191		2,347,191
Community development		-		-		-	-	-	1,195,707		1,195,707
Economic development		-		-		639,556	-	-	-		639,556
Health and sanitation		-		-		-	-	-	215,646		215,646
Community services		-		77							77
Assigned:											
Fire Safety pension plan payout		1,689,686		-		-	-	-	-		1,689,686
Animal Control Vehicle		105,000		-		-	-	-	-		105,000
Housing & Homelessness Programs		81,678		-		-	-	-	-		81,678
Risk Management Activities		60,077		-		-	-	-	-		60,077
Community Event Activities		50,000									50,000
Emergency Plan		25,000									25,000
Public works		-		-		-	-	3,877,614	878,470		4,756,084
Unassigned		9,098,342				-	 	 -	 (20,861)	_	9,077,481
Total fund balances (deficit)	\$ 1	1,610,172	\$	77	\$	639,556	\$ 	\$ 3,877,614	\$ 4,616,153	\$	20,743,572

Notes to the Basic Financial Statements For the year ended June 30, 2023

Note 17: Prior period restatement

The City identified and corrected an accounting error in the prior year for the amounts listed below.

The \$1,333,886 restatement in the governmental activities is for the correction of the deferred outflows, deferred inflows and net pension liability in the government-wide financial statements.

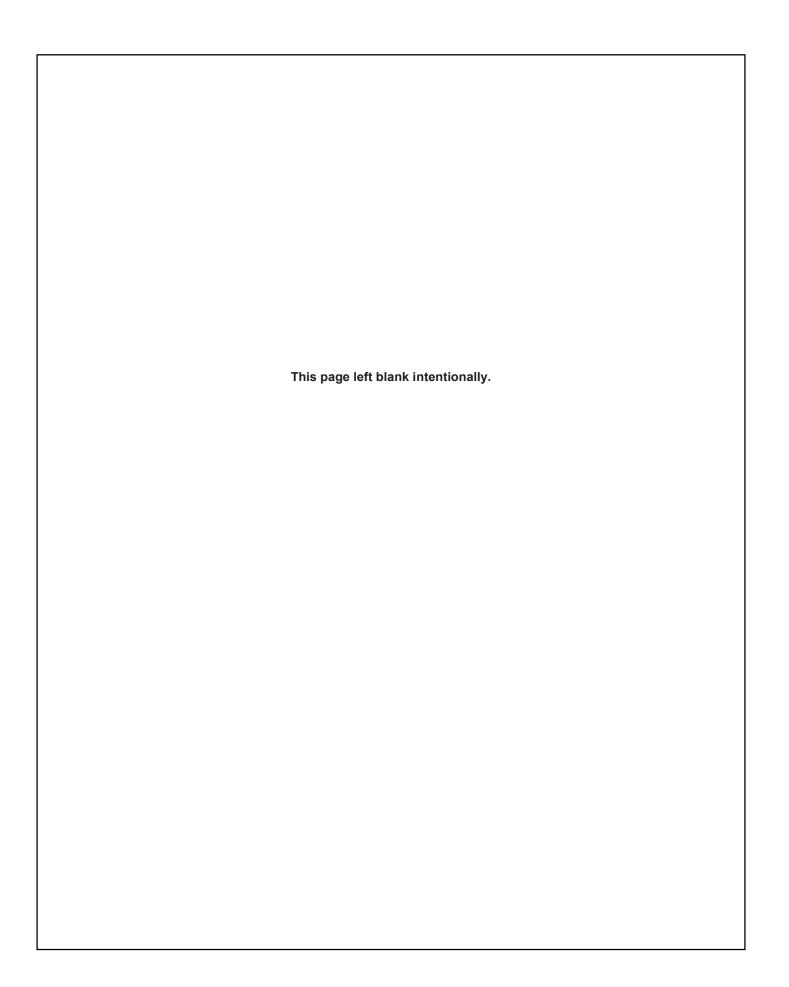
The beginning net position has been restated due to the correction.

Governmental Activities

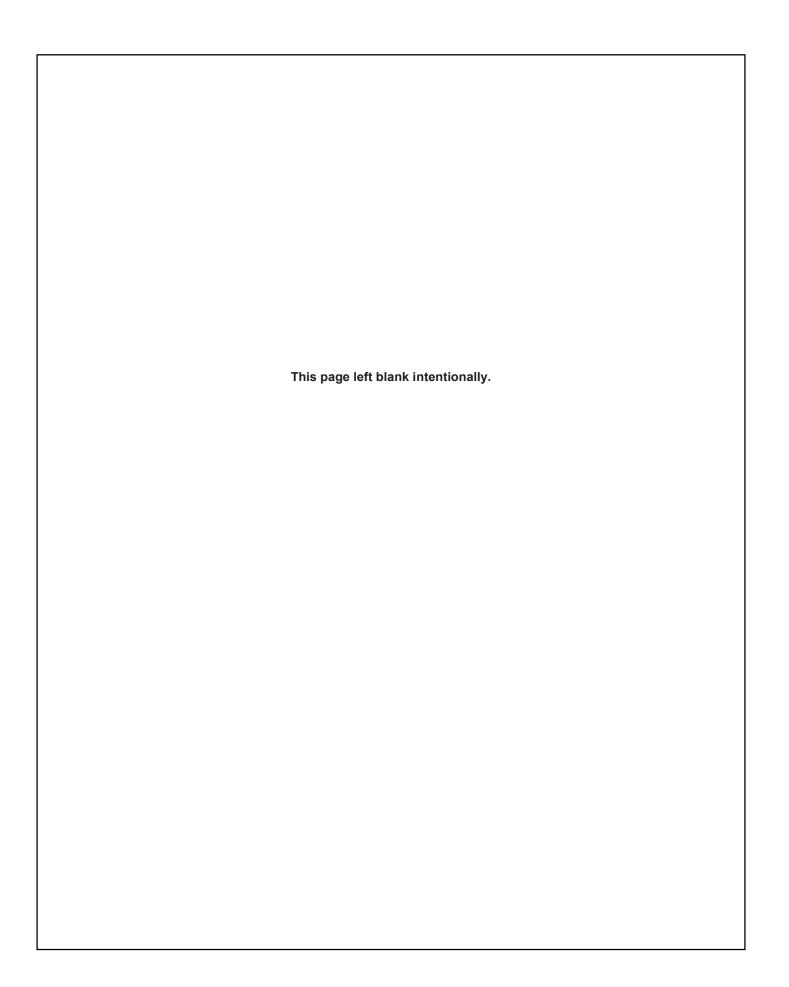
	Go	overnmental Activities
Net position, beginning of year, as previously reported	\$	59,844,880
Prior period restatement		1,333,886
Net position, beginning of year, as restated	\$	61,178,766

Note 18: Subsequent event

On July 6, 2023, the City received the final termination actuarial valuation of the Safety Pension Plan of Twentynine Palms Water District of the California Public Employees' Retirement System (CalPERS) which was performed by CalPERS' as of April 26, 2023. The City was provided with a settlement amount of \$4,442,406 payable to CalPERS on August 1, 2023.







Required Supplementary Information Budgetary Comparison Schedule General Fund For the year ended June 30, 2023

	Budgeted	d amounts	Actual	Variance with
	Original	Final	amounts	final budget
Revenues				
Taxes	\$ 10,180,996	\$ 10,707,944	\$ 11,580,509	\$ 872,565
Licenses, permits and fees	572,500	904,500	1,063,598	159,098
Intergovernmental	291,335	337,165	330,950	(6,215)
Charges for services	426,100	387,500	477,587	90,087
Fines, forfeitures and penalties	5,000	11,100	23,307	12,207
Use of money and property	60,000	65,000	98,635	33,635
Other	50,000	61,609	175,530	113,921
Total revenues	11,585,931	12,474,818	13,750,116	1,275,298
Expenditures				
Current:				
General government	2,681,347	2,824,886	2,639,084	185,802
Public safety	5,560,810	5,692,224	5,725,463	(33,239)
Public works	828,867	827,522	756,396	71,126
Community development	1,182,759	1,398,473	1,241,325	157,148
Community services	1,133,245	1,182,733	1,029,515	153,218
Debt service	.,,=	1,11=,110	.,,	,
Principal	43,020	43,020	61,481	(18,461)
Interest	38,206	38,206	38,348	(142)
Capital outlay			73,110	(73,110)
Total expenditures	11,468,254	12,007,064	11,564,722	442,342
Excess (deficiency) of revenues				
over (under) expenditures	117,677	467,754	2,185,394	1,717,640
over (under) experialities		401,134	2,100,004	1,717,040
Other financing sources (uses)				
Subscription acquisition	-	-	68,310	68,310
Lease acquisition	-	-	20,802	20,802
Transfers in	3,249,151	3,249,151	3,138,608	(110,543)
Transfers out	(5,370,200)	(4,521,069)	(4,444,911)	76,158
Total other financing sources (uses)	(2,121,049)	(1,271,918)	(1,217,191)	54,727
Net change in fund balance	\$ (2,003,372)	\$ (804,164)	968,203	\$ 1,772,367
Fund balance, beginning of year			10,641,969	
Fund balance, end of year			\$ 11,610,172	

Required Supplementary Information Budgetary Comparison Schedule CDBG Special Revenue Fund For the year ended June 30, 2023

		Budgeted	d amou	nts	Actual	Var	iance with	
	-	Original		Final	 amounts	final budget		
Revenues Intergovernmental	\$	377,310	\$	888,436	\$ 844,872	\$	(43,564)	
Total revenues		377,310		888,436	 844,872		(43,564)	
Expenditures Current:								
Community services Capital outlay		62,310 315,000		62,310 315,000	18,745 315,000		43,565 -	
Total expenditures		377,310		377,310	333,745		43,565	
Net change in fund balance	\$		\$	511,126	511,127	\$	1	
Fund balance (deficit), beginning of year					(511,050)			
Fund balance, end of year					\$ 77			

Required Supplementary Information Budgetary Comparison Schedule Tourism Business Improvement District Special Revenue Fund For the year ended June 30, 2023

		Budgeted	d amou		Actual	Variance with			
	Original			Final		mounts	final budget		
Revenues Licenses, permits and fees Use of money and property Other	\$	285,000 500 4,000	\$	285,000 2,000 4,000	\$	391,021 10,809 1,523	\$	106,021 8,809 (2,477)	
Total revenues		289,500		291,000		403,353		112,353	
Expenditures Current: Economic development		285,539		357,337		268,388		88,949	
Total expenditures		285,539		357,337		268,388		88,949	
Net change in fund balance	\$	3,961	\$	(66,337)		134,965	\$	201,302	
Fund balance, beginning of year						504,591			
Fund balance, end of year					\$	639,556			

Required Supplementary Information Budgetary Comparison Schedule ARPA Special Revenue Fund For the year ended June 30, 2023

		Budgeted	amo	unts		Actual	Varia	nce with	
		Original		Final		amounts	final budget		
Revenues Intergovernmental	\$	3,118,608	\$	3,118,608	\$	3,118,608	\$	-	
Total revenues	_	3,118,608	_	3,118,608		3,118,608		-	
Expenditures Current: Total expenditures									
Excess (deficiency) of revenues over (under) expenditures		3,118,608		3,118,608	_	3,118,608			
Other financing sources (uses) Transfers out		(3,118,608)		(3,118,608)		(3,118,608)			
Total other financing sources (uses)		(3,118,608)		(3,118,608)		(3,118,608)		_	
Net change in fund balance	\$		\$	_		-	\$		
Fund balance, beginning of year									
Fund balance, end of year					\$				

City of Twentynine Palms

Required Supplementary Information Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date Last 10 Years *

	Pension Plan's	Fiduciary Net	Position as a	percentage of the	Total Pension	Liability/(Asset)	77.53%	82.58%	81.00%	80.10%	%39.65	97.46%	96.23%	109.75%	92.18%
Employer's	Proportionate Share	of the Collective Net	Pension	Liability/(Asset) as a	percentage of the	Covered Payroll	138.32%	133.61%	149.07%	173.16%	3.23%	21.90%	33.86%	%68.76-	74.25%
						Covered Payroll	\$ 1,829,632	1,882,894	1,948,280	2,006,275	2,191,491	2,310,926	2,342,734	2,239,339	2,533,623
	Employer's	Proportionate	Share of the	Collective Net	Pension	Liability/(Asset)	\$ 2,530,753	2,515,772	2,904,210	3,474,126	70,807	506,204	793,186	(2,192,059)	1,881,330
		Employer's	Proportion of the	Collective Net	Pension	Liability/(Asset)	0.102%	0.074%	0.081%	0.085%	0.001%	0.005%	%2000	0.003%	%2500
						Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022

^{*} Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

Required Supplementary Information Schedule of Plan Contributions Last 10 Years*

Contributions as a Percentage of										
	Covered Payroll	1,882,894	1,948,280	2,006,275	2,191,491	2,310,926	2,342,734	2,239,339	2,533,623	2,802,498
Contribution Deficiency	(Excess)	(1,000,000)			(3,102,825)					,
Contributions in Relation to the Actuarially	Determined Contribution	(1,327,005) \$	(278,084)	(302,837)	(3,434,678)	(388,590)	(317,991)	(262,161)	(311,225)	(376,725)
Actuarially Determined	Contribution	\$ 327,005	278,084	302,837	331,853	388,590	317,991	262,161	311,225	376,725
	Fiscal Year	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023

^{*} Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CaIPERS Experience Study and Review of Actuarial Assumptions of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net 7.15% to 6.90%. In determining the long-term expected rate of return, CaIPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected retums for all asset classes are estimated, combined with risk estimates, and are used to project with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment Changes in Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and 7.5 percent discount rate

Required Supplementary Information Schedule of Changes in the Net OPEB Liability and Related Ratios Last Ten Years*

						Measurement Date	t Date					
		2017		2018		2020 (1)		2021		2022	2	2023
Total OPEB Liability												
Service Cost	↔	313,725	↔	326,274	↔	57,138	\$	58,852	s	47,520	↔	53,743
Interest on the Total OPEB Liability		162,816		178,572		237,641		132,377		138,014	•	133,281
Adjustments		,				190,379				,		,
Actual and expected experience difference						12,104		49,018		(2,215)		(31,507)
Changes in assumptions				(1,142,700)		(1,879,505)		(65,346)		104,420		9,789
Benefit payments		(72,988)		(92,484)		(145,291)		(150,740)		(181,613)	٠	(182,885)
Net change in Total OPEB Liability		403,553		(730,338)		(1,527,534)		24,161		106,126		(17,579)
Total OPEB Liability - beginning		4,106,540		4,510,093		3,779,755		2,252,221	2	2,276,382	2,	2,382,508
Total OPEB Liability - ending (a)		4,510,093		3,779,755		2,252,221		2,276,382	5	2,382,508	2,3	2,364,929
Plan Fiduciary Net Position												
Contribution - employer		197,988		217,484		270,291		150,740		67,584		182,885
Net investment income		96,920		96,935		120,137		297,985	_	(250,791)	•	166,880
Adjustments		,				250,431				,		,
Differences between projected and actual investments						(8,018)		130,475		,		
Benefit payments		(72,988)		(92,484)		(145,291)		(150,740)	_	(181,613)	۰	(182,885)
Investment expense		•				(756)				,		,
Administrative expense		(1,189)		(1,406)		(1,034)		(2,040)		(8,068)		(13,231)
Net change in Plan Fiduciary Net Position		220,731		220,529		485,760		426,420		(372,888)	Ì	153,649
Plan Fiduciary Net Position - beginning		1,248,585		1,469,316		1,689,845		2,175,605	2	2,602,025	2,2	2,229,137
Plan Fiduciary Net Position - ending (b)		1,469,316		1,689,845		2,175,605		2,602,025	2	2,229,137	2,3	2,382,786
Net OPEB Liability (Asset) - ending (a) - (b)	↔	3,040,777	↔	2,089,910	છ	76,616	↔	(325,643)	↔	153,371	↔	(17,857)
Pan fiduciary net position as a percentage of the total OPER liability		32 58%		44 71%		96 60%		87 49%		93.56%		100 76%
Covered-employee payors of the process of the payors of th	↔	2,006,275	↔	2,191,491	↔	2,342,733	€	2,239,339	\$	2,533,623	\$ 2,8	\$ 2,802,498

Notes to Schedule:

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

^{*} Measurement date 6/30/2017 (fiscal year 2018) was the first year of implementation. Additional years will be presented as information becomes available.

⁽¹⁾ This recondilation covers the one-year period from the June 30, 2019 reporting date to the June 30, 2020 reporting date. This was a one-time change concurrent with the change in actuarial firms from one reporting period to the next. As a result of this change, the plan's measurement period will henceforth coincide with its reporting period.

Required Supplementary Information Schedule of OPEB Contributions Last Ten Years*

					ΙË	Fiscal Year								
		2017		2018		2019		2020		2021	20	22	20	23
Statutorily Required Contributions (SRC) Contributions in relation to the SRC	↔	197,988 (197,988)	↔	217,484 (217,484)	↔	217,484 (217,484)	↔	270,291 (270,291)	↔	150,740 (150,740)	↔	67,584 (67,584)	\$ 18	182,885 (182,885)
Contribution deficiency/(excess)	8		69		69		↔		↔		€		8	
Covered-employee payroll Contribution as a percentage of covered-employee payroll	↔	2,006,275 9.87%	↔	2,191,491 9.92%	↔	2,310,926 9.41%	↔	2,342,733 11.54%	↔	2,239,339 6.73%	\$ 2,53	\$ 2,533,623 2.67%	\$ 2,802,49	2,498

Notes to schedule:

Changes in assumptions: None

Methods and assumptions used to determine contributions: Valuation Date: June 30, 2023
Actuarial Cost Method
Entry Age Normal
Asset Valuation Method
5 Year Assets Smoothing

Salary Increases

2.75% Investment Rate of Return

The retirement assumptions are based on the 2021 CaIPERS 2.0%@62 and 2.5%@55 Rates for Miscellaneous Employees table created by CaIPERS.

The mortality assumptions are based on the 2021 CaIPERS Retiree Mortality for All Employees table created by CaIPERS

* Measurement date 6/30/2017 (fiscal year 2018) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Required Supplementary Information For the year ended June 30, 2023

Note 1: Budgetary data

Revenues and expenditures accounted for in the governmental funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the City's operations.

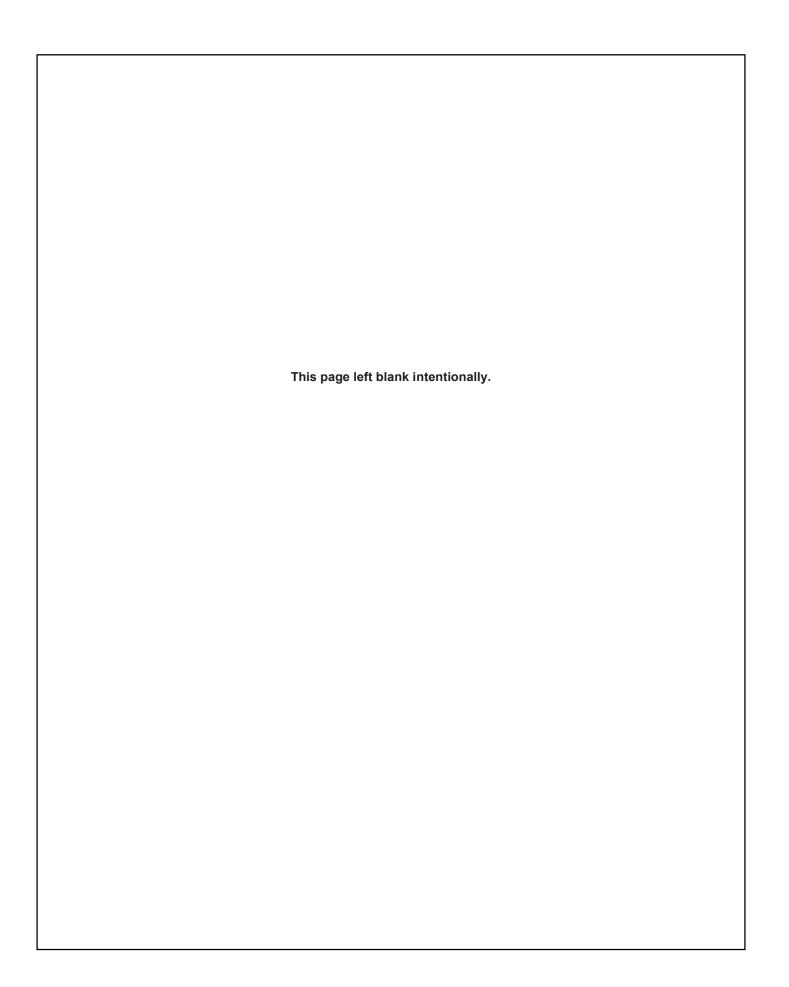
Each year, the City Council adopts a budget, which provides for the general operations of the City. Budgets have been adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for nearly all governmental funds. The City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption.

The legal level of budgetary control is at the fund level. Once the budget has been adopted, the City Manager or his/her designee is authorized to transfer appropriations between accounts within each fund as long as the total adopted budget allocation of that fund is not exceeded. Transfers from fund to fund require approval of the City Council, if not approved in the budget. Budgeted amounts are as originally adopted and as further amended by City Council, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Note 2: Excess of Appropriations

The following funds had total expenditures in excess of total appropriations:

	Final Budgeted penditures	Total Actual Expenditures	Exper	xcess Of nditures Over eted Amounts
Non-major funds:				
SB-1 Road Maintenance Rehab	\$ 663,593	\$ 668,518	\$	(4,925)
City Bond Proceeds	123,143	133,731		(10,588)





Description of Funds

Special revenue funds:

Special revenue funds are used to account for special revenues and the related expenditures, which are legally required to be kept in a separate fund.

Traffic Safety Fund - this fund accounts for the portion of traffic fines allocated to the City. Periodically, transfers are made to the General Fund to be used for safety-related programs.

Gas Tax - this fund accounts for monies received from the state that are earmarked for street repairs.

Lighting and Landscape A.D. Fund - this fund accounts for funds received for the maintenance of the perimeter landscaping from all houses in a new subdivision.

Public Access Programming Fund - this fund accounts for 1% of the Fee Base per the agreement from Charter Communication to provide public access programming.

Recycling Fund - this fund accounts for funds received for the recycling, waste management, and abatement programs.

Measure I 2011 Fund - this fund was created in fiscal year 2010-2011 to account for the City's portion of funds designated for various transportation and street repair needs.

Article 8 Fund - this fund accounts for the City's portion of funds designated for various transportation and street repair needs. Starting in FY 2021-22, the City will no longer receive Article 8 funding.

Traffic Relief Fund - this fund accounts for the City's portion of funds designated for various transportation and street repair needs. The City did not adopt a budget for this fund in 2022.

SB1 - Rehab Road Maintenance - this fund accounts for monies received from the state that are earmarked for street repairs.

Capital Project Funds:

Capital project funds are used to account for the improvements undertaken by the City, funded by loans from other funds of the City, grants, or bond proceeds.

Curb, Gutter, & Sidewalks Impact Fee Fund – this fund accounts for the collection of impact fees related to the construction of curbs, gutters and sidewalks.

Streets Fund – this fund accounts for streets projects funded by Major Local Highway Funds received from SBCTA, Cal-Trans, or other State Funds.

City Bond Proceeds - This fund accounts for the 2018 TARB bond proceeds to be used for certain development projects within the City.

Combining Balance Sheet Nonmajor Funds June 30, 2023

			Spec	cial Revenue		
		Traffic Safety		Gas Tax	_	hting and scape A.D.
Assets	ф.		•	202 226	Ф.	00.050
Cash and investments Cash and investments with	\$	-	\$	223,336	\$	88,253
fiscal agents - restricted						
Receivables:						
Intergovernmental		2,088		-		-
Taxes		-		61,673		-
Interest		-		2,267		716
Grants Other		<u>-</u>				459
Total assets	\$	2,088	\$	287,276	\$	89,428
Liabilities and fund balances Liabilities:						
Accounts payable and						
accrued liabilities	\$	1,471	\$	39,867	\$	653
Retentions payable		-		-		-
Due to other funds		9,061		-		-
Total liabilities		10,532		39,867		653
Deferred inflows of resources: Unavailable revenue		_		_		
Total deferred inflows of resources						
Fund balances:						
Restricted for:						
Public works		-		247,409		88,775
Community development Health and sanitation		-		-		-
Assigned		-		-		-
Unassigned		(8,444)				
Total fund balances (deficit)		(8,444)		247,409		88,775
Total liabilities and fund balances	\$	2,088	\$	287,276	\$	89,428

(Continued)

			Special	Reve	nue	
	lic Access gramming	F	Recycling		Measure I 2011	 rticle 8
\$	67,148	\$	245,794	\$	1,786,244	\$ 22,951
			45,294			_
	-				101,983	_
	635		1,589		13,941	158
	-		-		-	-
	5,491		-		-	 989
\$	73,274	\$	292,677	\$	1,902,168	\$ 24,098
\$	-	\$	33,769	\$	3,240	\$ -
	-		-		-	-
-					-	 -
	-		33,769		3,240	 -
	-		43,262		-	-
			43,262		_	 -
	_		_		1,898,928	24,098
	73,274		-		-	-
	-		215,646		-	-
	-		-		-	-
	-		-		-	 -
	73,274		215,646		1,898,928	24,098
\$	73,274	\$	292,677		1,902,168	\$ 24,098

Combining Balance Sheet Nonmajor Funds June 30, 2023

		Specia	l Reven	ue	Capita	l Projects
	Traff	ic Relief		3 1 - Road iintenance Rehab	S	b, Gutter & idewalks npact Fee
Assets Cash and investments	\$	315	\$		\$	880,485
Cash and investments Cash and investments with	Ф	313	Ф	-	Ф	880,485
fiscal agents - restricted						
Receivables:						
Intergovernmental		-		-		-
Taxes		-		109,766		-
Interest		2		1,474		6,765
Grants		-		-		-
Other		-				-
Total assets	\$	317	\$	111,240	\$	887,250
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$		\$		\$	8,780
Retentions payable	φ	-	φ	-	φ	-
Due to other funds		_		23,576		_
Total liabilities		-		23,576		8,780
Deferred inflows of resources:						
Unavailable revenue		-		-		-
Total deferred inflows of resources						-
Fund balances:						
Restricted for:						
Public works		317		87,664		-
Community development		-		-		-
Health and sanitation		-		-		-
Assigned		-		-		878,470
Unassigned						-
Total fund balances (deficit)		317		87,664		878,470
Total liabilities and fund balances	\$	317	\$	111,240	\$	887,250

Capital F	Projec	ets	
 Streets	Bor	City nd Proceeds	al Nonmajor overnmental Funds
\$ -	\$	414,778	\$ 3,729,304
		714,936	714,936
- - - 825,161 -		- - 3,318 - -	47,382 273,422 30,865 825,161 6,939
\$ 825,161	\$	1,133,032	\$ 5,628,009
\$ 7,757 52,386 771,435	\$	10,599 - -	\$ 106,136 52,386 804,072
 831,578		10,599	 962,594
6,000			49,262
6,000			49,262
 - - - - (12,417)		- 1,122,433 - - - -	2,347,191 1,195,707 215,646 878,470 (20,861)
 (12,417)		1,122,433	 4,616,153
\$ 825,161	\$	1,133,032	\$ 5,628,009

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Funds For the year ended June 30, 2023

			Spec	ial Revenue		
		Traffic Safety	(Gas Tax	_	nting and scape A.D.
Revenues	_					
Taxes	\$	-	\$	707,359	\$	-
Licenses, permits and fees Intergovernmental		-		-		-
Charges for services		-		-		20,546
Fines, forfeitures and penalties		3,934		-		-
Use of money and property		-		7,491		2,227
Total revenues		3,934	,	714,850		22,773
Expenditures						
Current:						
General government Public works		29,856		- 790,225		- 27,660
Community development		29,030		790,223		-
Health and sanitation		_		-		-
Debt service						
Principal		-		-		-
Interest		-		-		-
Capital outlay		-		_		
Total expenditures		29,856		790,225		27,660
Excess (deficiency) of revenues						
over (under) expenditures		(25,922)		(75,375)		(4,887)
Other financing sources (uses)						
Subscription acquisition		-		_		-
Transfers in		30,000		-		-
Transfers out		-		(10,000)		-
Total other financing sources (uses)		30,000		(10,000)		
Net change in fund balances		4,078		(85,375)		(4,887)
Fund balances (deficit), beginning of year		(12,522)		332,784		93,662
Fund balances (deficit), end of year	\$	(8,444)	\$	247,409	\$	88,775

(Continued)

 Special Revenue												
olic Access	Measure I 2011		Article 8									
\$ -	\$	-	\$	638,062	\$	-						
-		- 52,966		-		-						
22,806		-		-		-						
2,678		4,807		29,333		5,635						
 25,484		57,773		667,395	,	5,635						
63,687		-		-		-						
-		-		-		167,597						
-		58,054		-		-						
-		4,788		-		-						
-		12 21,104		- 86,639		- 3,545						
 		21,104		00,039		3,343						
 63,687		83,958		86,639		171,142						
 (38,203)		(26,185)		580,756		(165,507)						
-		18,304		-		-						
- -		- -		- (10,000)	_	- -						
		18,304		(10,000)		-						
(38,203)		(7,881)		570,756		(165,507)						
111,477		223,527		1,328,172		189,605						
\$ 73,274	\$	215,646	\$	1,898,928	\$	24,098						

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Funds

For the year ended June 30, 2023

		Specia	Capital Projects			
	Traf	fic Relief		1 - Road intenance Rehab	Si	o, Gutter & dewalks pact Fee
Revenues	•		•	0.47.000	•	
Taxes	\$	-	\$	617,860	\$	-
Licenses, permits and fees		-		-		146,990
Intergovernmental		-		-		-
Charges for services		-		-		-
Fines, forfeitures and penalties		470		4 000		-
Use of money and property		173		4,262		18,194
Total revenues		173		622,122		165,184
Expenditures						
Current:						
General government		-		-		-
Public works		5,694		668,518		-
Community development		-		-		-
Health and sanitation		-		-		-
Debt service						
Principal		-		-		-
Interest		-		-		-
Capital outlay		-		-		47,673
Total expenditures		5,694		668,518		47,673
Excess (deficiency) of revenues over (under) expenditures		(5,521)		(46,396)		117,511
Other financing sources (uses) Subscription acquisition		-		-		-
Transfers in Transfers out		-		-		-
Transfers out				-		-
Total other financing sources (uses)						
Net change in fund balances		(5,521)		(46,396)		117,511
Fund balances (deficit), beginning of year		5,838		134,060		760,959
Fund balances (deficit), end of year	\$	317	\$	87,664	\$	878,470

 Capital I	Projec	ts	_				
Streets	Bo	City nd Proceeds		Total Nonmajor Governmental Funds			
\$ - - 964,148 - -	\$	- - - -	\$	1,963,281 146,990 1,017,114 43,352 3,934			
064 149		19,668		94,468			
964,148		19,668		3,269,139			
- - -		- - 133,731 -		63,687 1,689,550 133,731 58,054			
 - - 972,124		- - -		4,788 12 1,131,085			
 972,124		133,731		3,080,907			
(7,976)		(114,063)		188,232			
- - -		- - -		18,304 30,000 (20,000)			
 				28,304			
(7,976)		(114,063)		216,536			
(4,441)		1,236,496	4,399,617				
\$ (12,417)	\$	1,122,433	\$	4,616,153			

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Traffic Safety Special Revenue Fund For the year ended June 30, 2023

	Budgeted	amou	nts	Actual		Variance with	
	Original		Final	aı	mounts	fina	l budget
Revenues Fines, forfeitures and penalties	\$ 2,000	\$	2,000	\$	3,934	\$	1,934
Total revenues	 2,000		2,000		3,934		1,934
Expenditures Current:							
Public works	 17,000		30,000		29,856		144
Total expenditures	 17,000		30,000		29,856		144
Excess (deficiency) of revenues over (under) expenditures	(15,000)		(28,000)		(25,922)		2,078
Other financing sources (uses) Transfers in	30,000		30,000		30,000		
Total other financing sources (uses)	 30,000		30,000		30,000		
Net change in fund balance	\$ 15,000	\$	2,000		4,078	\$	2,078
Fund balance, (deficit) beginning of year					(12,522)		
Fund balance, (deficit) end of year				\$	(8,444)		

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Gas Tax Special Revenue Fund For the year ended June 30, 2023

	 Budgeted	amou	nts		Actual	Variance with	
	Original		Final	a	imounts	fin	al budget
Revenues Taxes Use of money and property	\$ 833,889	\$	833,889	\$	707,359 7,491	\$	(126,530) 7,491
Total revenues	833,889		833,889		714,850		(119,039)
Expenditures Current: Public works	823,889		881,889		790,225		91,664
Total expenditures	823,889		881,889		790,225		91,664
Excess (deficiency) of revenues over (under) expenditures	10,000		(48,000)		(75,375)		(27,375)
Other financing sources (uses) Transfers out	 (10,000)		(10,000)		(10,000)		
Total other financing sources (uses)	(10,000)		(10,000)		(10,000)		
Net change in fund balance	\$ 	\$	(58,000)		(85,375)	\$	(27,375)
Fund balance, beginning of year					332,784		
Fund balance, end of year				\$	247,409		

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Lighting and Landscape A.D. Special Revenue Fund For the year ended June 30, 2023

	 Budgeted			Actual		Variance with	
Barrage	 riginal	 Final	amounts		final budget		
Revenues Charges for services Use of money and property	\$ 21,870	\$ 21,870	\$	20,546 2,227	\$	(1,324) 2,227	
Total revenues Expenditures Current:	21,870	21,870		22,773		903	
Public works	 32,683	 32,683		27,660		5,023	
Total expenditures	 32,683	 32,683		27,660		5,023	
Net change in fund balance	\$ (10,813)	\$ (10,813)		(4,887)	\$	5,926	
Fund balance, beginning of year				93,662			
Fund balance, end of year			\$	88,775			

.

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Public Access Programming Special Revenue Fund For the year ended June 30, 2023

	Budgeted	amo			Actual	Variance with		
_	 Original		Final	a	mounts	tina	al budget	
Revenues								
Charges for services	\$ 24,000	\$	24,000	\$	22,806	\$	(1,194)	
Use of money and property	 -		-		2,678		2,678	
	_							
Total revenues	24,000		24,000		25,484		1,484	
Expenditures Current:								
General government	37,081		80,081		63,687		16,394	
Contral government	 07,001		00,001		00,001		10,004	
Total expenditures	37,081		80,081		63,687		16,394	
rotal experiultures	 37,001		80,081		03,007		10,394	
Net change in fund balance	\$ (13,081)	\$	(56,081)		(38,203)	\$	17,878	
					,			
Fund balance, beginning of year					111,477			
Fund balance, end of year				\$	73,274			

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Recycling Special Revenue Fund For the year ended June 30, 2023

		Budgeted	d amou	nts		Actual	Variance with		
	(Original		Final	a	mounts	fina	al budget	
Revenues Intergovernmental	\$	92,362	\$	98,362	\$	52,966	\$	(45,396)	
Use of money and property				-		4,807		4,807	
Total revenues		92,362		98,362		57,773		(40,589)	
Expenditures Current:									
Health and sanitation Debt service		151,024		151,024		58,054		92,970	
Principal		_		_		4,788		(4,788)	
Interest		-		-		12		(12)	
Capital outlay						21,104		(21,104)	
Total expenditures		151,024		151,024		83,958		67,066	
Excess (deficiency) of revenues									
over (under) expenditures		(58,662)		(52,662)		(26,185)		26,477	
Other financing sources (uses)									
Subscription acquisition		-	-			18,304		18,304	
Total other financing sources (uses)						18,304		18,304	
Net change in fund balance	\$	(58,662)	\$	(52,662)		(7,881)	\$	44,781	
Fund balance, beginning of year						223,527			
Fund balance, end of year					\$	215,646			

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Measure I 2011 Special Revenue Fund For the year ended June 30, 2023

	Budgeted	amo	unts	Actual		Variance with	
	Original		Final	a	amounts	fi	nal budget
Revenues	 \$ 672,105 \$ 672,105						
Taxes	\$ 672,105	\$	672,105	\$	638,062	\$	(34,043)
Use of money and property	 				29,333		29,333
Total revenues	 672,105		672,105		667,395		(4,710)
Expenditures Current:							
Public works	300,000		300,000		-		300,000
Capital outlay	901,681		901,681		86,639		815,042
Total expenditures	 1,201,681		1,201,681		86,639		1,115,042
Excess (deficiency) of revenues over (under) expenditures	 (529,576)		(529,576)		580,756		1,110,332
Other financing sources (uses) Transfers out	 (10,000)		(10,000)		(10,000)		
Total other financing sources (uses)	 (10,000)		(10,000)		(10,000)	_	
Net change in fund balance	\$ (539,576)	\$	(539,576)		570,756	\$	1,110,332
Fund balance, beginning of year					1,328,172		
Fund balance, end of year				\$	1,898,928		

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Article 8 Special Revenue Fund For the year ended June 30, 2023

	Budgeted ar Original			nts Final	Actual amounts		Variance with final budget	
Revenues Use of money and property	\$	-	\$		\$	5,635	\$	5,635
Total revenues						5,635		5,635
Expenditures Current: Public works Capital outlay		150,000 6,699	_	170,000 6,699		167,597 3,545		2,403 3,154
Total expenditures		156,699		176,699		171,142		5,557
Net change in fund balance	\$	(156,699)	\$	(176,699)		(165,507)	\$	11,192
Fund balance, beginning of year						189,605		
Fund balance, end of year					\$	24,098		

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Traffic Relief Special Revenue Fund For the year ended June 30, 2023

	Budgeted amounts Original Final					Actual amounts		nce with budget
Revenues								
Use of money and property	\$	-	\$	-	\$	173	\$	173
Total revenues						173		173
Expenditures Current:								
Public works		-		-		5,694		(5,694)
Capital outlay		5,905		5,859		-		5,859
Total expenditures		5,905		5,859		5,694		165
Net change in fund balance	\$	(5,905)	\$	(5,859)		(5,521)	\$	338
Fund balance, beginning of year						5,838		
Fund balance, end of year					\$	317		

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual SB 1 - Road Maintenance Rehab Special Revenue Fund For the year ended June 30, 2023

	Budgeted amounts Original Final					Actual amounts		ance with
Revenues Taxes	\$	663,593	\$	663,593	\$	617,860	\$	(45,733)
Use of money and property		-		-		4,262		4,262
Total revenues		663,593		663,593		622,122		(41,471)
Expenditures Current:								
Public works		663,593		663,593		668,518		(4,925)
Total expenditures		663,593		663,593		668,518		(4,925)
Net change in fund balance	\$		\$	-		(46,396)	\$	(46,396)
Fund balance, beginning of year						134,060		
Fund balance, end of year					\$	87,664		

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Capital Improvements Capital Projects Fund – Major Fund For the year ended June 30, 2023

	Budgeted	I amounts	Actual	Variance with		
	Original	Final	amounts	final budget		
Revenues Intergovernmental Use of money and property	\$ 2,230,482	\$ 2,213,985	\$ 2,623,870 433	\$ 409,885 433		
Total revenues	2,230,482	2,213,985	2,624,303	410,318		
Expenditures						
Capital outlay	9,961,813	9,904,858	6,891,327	3,013,531		
Total expenditures	9,961,813	9,904,858	6,891,327	3,013,531		
Excess (deficiency) of revenues over (under) expenditures	(7,731,331)	(7,690,873)	(4,267,024)	3,423,849		
Other financing sources (uses) Transfers in	3,473,450	3,558,119	3,479,961	(78,158)		
Total other financing sources (uses)	3,473,450	3,558,119	3,479,961	(78,158)		
Net change in fund balance	\$ (4,257,881)	\$ (4,132,754)	(787,063)	\$ 3,345,691		
Fund balance, beginning of year, as restated			4,664,677			
Fund balance, end of year			\$ 3,877,614			

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Curb, Gutter, & Sidewalk Impact Fee Capital Projects Fund For the year ended June 30, 2023

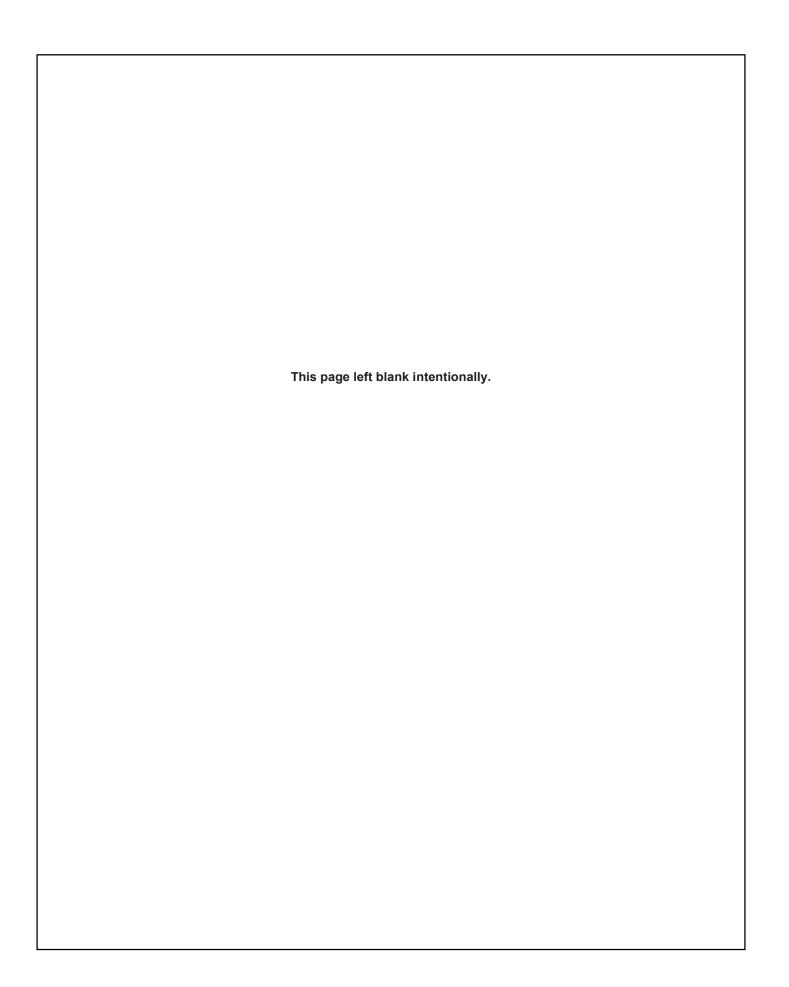
	Budgeted amounts					Actual	Variance with		
		Original		Final	a	mounts	fin	al budget	
Revenues Licenses, permits and fees Use of money and property	\$	80,000	\$	85,000	\$	146,990 18,194	\$	61,990 18,194	
Total revenues		80,000		85,000		165,184		80,184	
Expenditures Capital outlay		196,507		220,596		47,673		172,923	
Total expenditures		196,507		220,596		47,673		172,923	
Net change in fund balance	\$	(116,507)	\$	(135,596)		117,511	\$	253,107	
Fund balance, beginning of year						760,959			
Fund balance, end of year					\$	878,470			

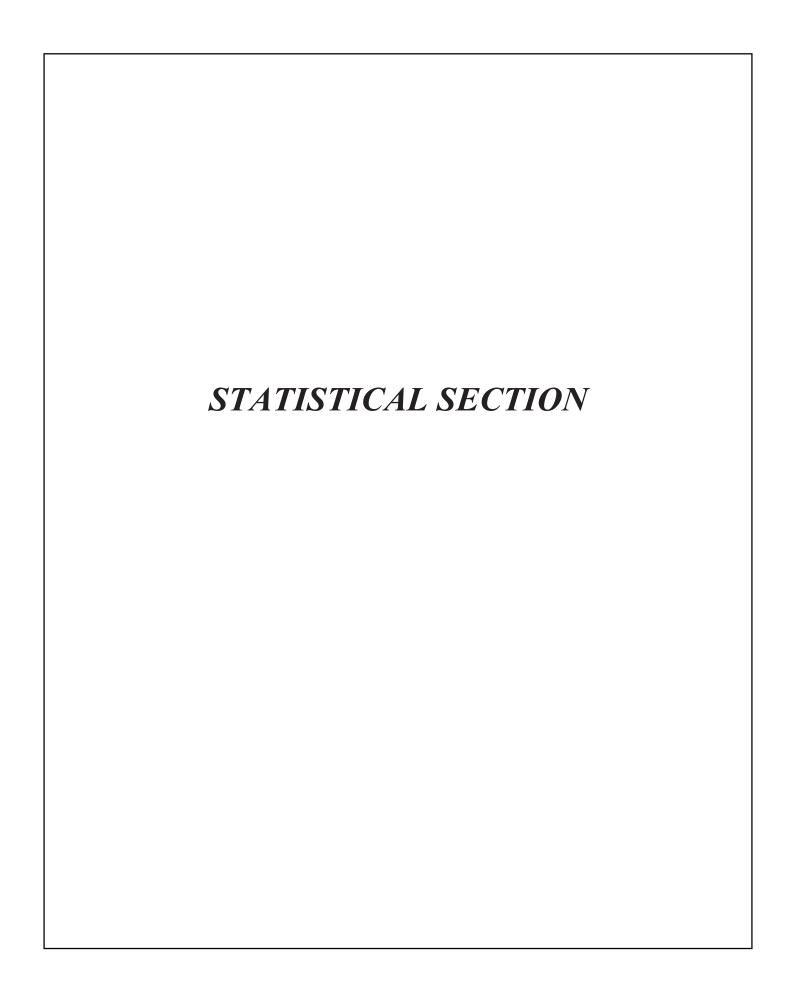
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Streets Capital Projects Fund For the year ended June 30, 2023

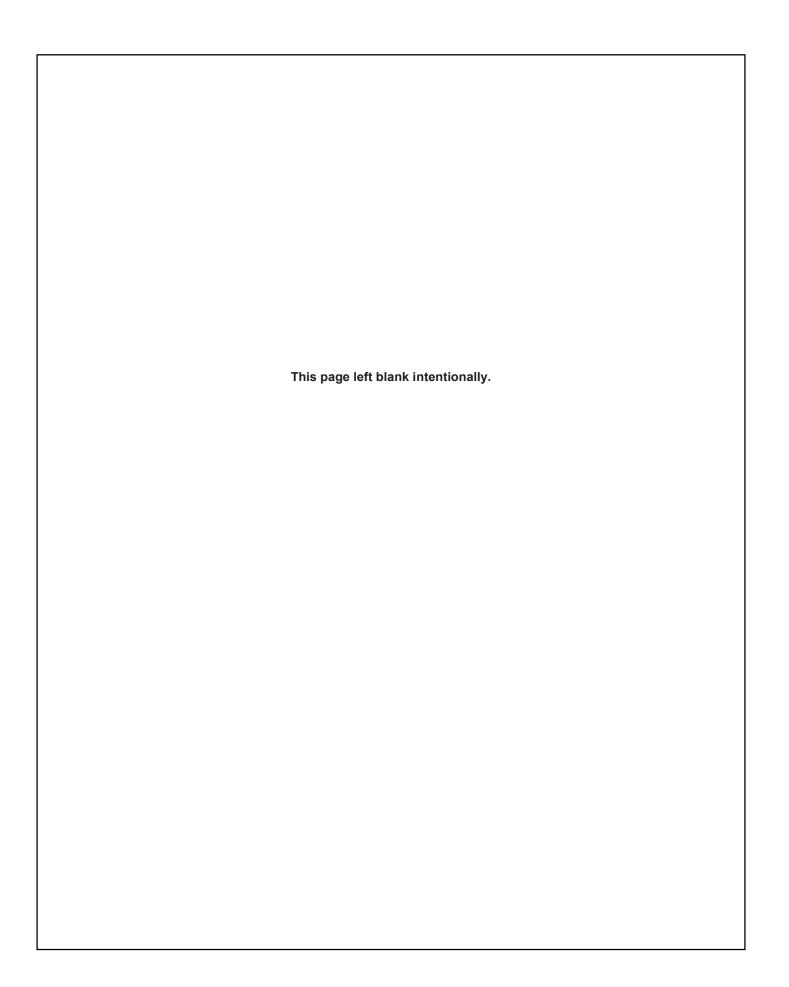
	Budgeted amounts Original Final					Actual mounts	Variance with final budget		
Revenues Intergovernmental	\$	5,819,244	\$	5,820,970	\$	964,148	\$	(4,856,822)	
Total revenues		5,819,244		5,820,970		964,148		(4,856,822)	
Expenditures		0,010,211		0,020,010		.,		(1,000,022)	
Capital outlay		5,819,244		5,778,441	-	972,124		4,806,317	
Total expenditures		5,819,244		5,778,441		972,124		4,806,317	
Net change in fund balance	\$		\$	42,529		(7,976)	\$	(50,505)	
Fund balance (deficit), beginning of year						(4,441)			
Fund balance (deficit), end of year					\$	(12,417)			

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual City Bonds Proceeds Capital Projects Fund For the year ended June 30, 2023

	Budgeted amounts Original Final					Actual amounts	Variance with final budget		
Revenues		Original	-	i iiiai		amounts		ai budget	
Use of money and property	\$		\$	6,800	\$	19,668	\$	12,868	
Total revenues				6,800		19,668		12,868	
Expenditures Current:									
Community development		214,000		123,143		133,731		(10,588)	
Total expenditures		214,000		123,143		133,731		(10,588)	
Net change in fund balance	\$	(214,000)	\$	(116,343)		(114,063)	\$	2,280	
Fund balance, beginning of year, as restated						1,236,496			
Fund balance, end of year					\$	1,122,433			







Statistical Section For the year ended June 30, 2023

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

_	PAGE
Financial trend information: Intended to assist users in understanding and assessing how a government's financial position has changed over time.	97
Revenue capacity information: Intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own revenue.	106
Debt capacity information: Intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.	111
Demographic and economic information: Intended to assist users in understanding the socioeconomic environment within which a government operates and to provide information that facilitates comparison of financial statement information over time and among governments.	116
Operating information: Intended to provide information about a government's operations and resources in order to assist readers in using financial information to understand and assess a government's economic condition.	117
Statistical section memo: This section includes miscellaneous information regarding the statistical information.	121

Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)

_			Fiscal Year		
	2014	2015	2016	2017	2018
Governmental activities:					
Net investment in					
capital assets	\$ 25,086,454	\$ 24,982,095	\$ 25,289,476	\$ 25,570,868	\$ 25,182,407
Restricted for:					
Public safety	591,580	573,199	111,737	383,926	287,250
Streets, highways, etc.	5,056,505	4,391,078	2,879,535	1,737,290	1,348,879
Community development	10,961,203	10,939,744	10,475,971	9,159,551	7,796,791
Economic development	-	-	-	-	-
Health and sanitation	_	-	_	-	_
Community services	_	-	_	_	_
Unrestricted	9,511,650	7,419,328	8,451,620	8,984,900	8,104,479
Total governmental activities					
net position	\$ 51,207,392 \$ 48,305,444		\$ 47,208,339	\$ 45,836,535	\$ 42,719,806
Business-type activities:					
Net investment in					
capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted			-		
Total business-type activities:					
net position	\$ -	_ \$ -	\$ -	\$ -	<u>\$</u> -
Primary Government:					
Net investment in					
capital assets	\$ 25,086,454	\$ 24,982,095	\$ 25,289,476	\$ 25,570,868	\$ 25,182,407
Restricted for:					
Public safety	591,580		111,737	383,926	287,250
Streets, highways, etc.	5,056,505	, ,	2,879,535	1,737,290	1,348,879
Community development	10,961,203	10,939,744	10,475,971	9,159,551	7,796,791
Economic development	-	-	-	-	-
Health and sanitation	-	-	-	-	-
Community services	<u>-</u>			-	
Unrestricted	9,511,650	7,419,328	8,451,620	8,984,900	8,104,479
Total primary government net position	\$ 51,207,392	\$ 48,305,444	\$ 47,208,339	\$ 45,836,535	\$ 42,719,806

					F	iscal Year						
	20	019		2020		2021		2022		2023		
Governmental activities:												
Net investment in												
capital assets	\$ 24,5	577,166	\$ 2	25,593,799	\$ 3	31,856,477	\$	38,345,205	\$	44,406,583		
Restricted for:												
Public safety		59,140		59,704		21,925		-		406,426		
Streets, highways, etc.	3,2	295,513		4,866,518		4,090,554		2,084,121		2,347,191		
Community development	7,3	355,824		7,240,136		5,168,824		1,347,973		1,195,707		
Economic development		-		-		-		504,591		639,556		
Health and sanitation		-		-		-		223,527		215,646		
Community services		-		-		-		-		77		
Unrestricted	7,	191,979		5,801,220		5,638,921		17,339,463		15,464,488		
Total governmental activities												
net position	sition <u>\$ 42,479,622</u> <u>\$ 43,561,377</u> <u>\$</u>		\$ 4	46,776,701	\$	59,844,880	\$	64,675,674				
Business-type activities:												
Net investment in												
capital assets	\$	-	\$	-	\$	923,579	\$	1,478,017	\$	2,748,343		
Unrestricted		-	603,592		(194,125)		93,245		_	444,028		
Total business-type activities: net position	¢.		¢.	602 502	¢.	720 454	Φ	1 571 060	φ	2 102 271		
net position	\$		<u>\$</u>	603,592	\$	729,454	<u>\$</u>	1,571,262	<u>\$</u>	3,192,371		
Primary Government:												
Net investment in												
capital assets	\$ 24,5	577,166	\$ 2	5,593,799	\$ 3	32,780,056	\$	39,823,222	\$	47,154,926		
Restricted for:												
Public safety		59,140		59,704		21,925		-		406,426		
Streets, highways, etc.		295,513		4,866,518		4,090,554		2,084,121		2,347,191		
Community development	7,3	355,824		7,240,136		5,168,824		1,347,973	1,195,707			
Economic development		-		-		-		504,591		639,556		
Health and sanitation				-			223,527		215,646			
Community services	_	-		-	-		- -			77		
Unrestricted	7,	191,979		6,404,812		5,444,796	17,432,708			15,908,516		
Total primary government net position	\$ 42,4	179,622	\$ 4	4,164,969	\$ 47,506,155 \$ 61,416,142			\$ 67,868,045				

Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)

			Fiscal Year		
-	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	\$ 1,765,044	\$ 2,708,000	\$ 1,609,010	\$ 2,162,115	\$ 4,930,008
Public safety	4,115,618	3,862,568	4,104,813	4,864,815	4,345,660
Public works	1,433,752	2,076,929	2,583,689	3,261,813	2,904,357
Community development	626,332	370,244	607,888	598,898	564,289
Economic development	-	-	-	-	-
Health and sanitation	67,126	72,751	48,990	75,989	52,207
Community services	1,622,653	1,744,000	1,905,921	2,118,064	1,049,906
Interest on long-term debt	76				
Total governmental activities expenses	9,630,601	10,834,492	10,860,311	13,081,694	13,846,427
Business-type activities:					
Sewer					-
Total business-type activities expenses				<u> </u>	-
Total primary government expenses	9,630,601	10,834,492	10,860,311	13,081,694	13,846,427
Program revenues					
Governmental activities:					
Charges for services:					
General government	68,120	58,182	75,375	130,574	135,646
Public safety	154,636	143,800	138,401	116,582	123,217
Public works	263,839	71,949	96,296	571,605	59,783
Community development	155,301	144,106	160,860	422,876	180,919
Health and sanitation	6,299	6,596	5,935	6,113	8,093
Community services	205,037	214,706	246,714	279,490	373,805
Operating grants and					
contributions	1,081,447	943,002	748,743	1,046,376	1,304,672
Capital grants and					
contributions	866,466	1,292,770	1,132,585	1,067,289	1,947,712
Total governmental activities program revenues	2,801,145	2,875,111	2,604,909	3,640,905	4,133,847
Business-type activities:					
Sewer:					
Charges for services	-	-	-	-	-
Operating grants and					
contributions	-	-	-	-	-
Capital grants and					
contributions				<u> </u>	
Total business-type activities program revenues	-			-	-
Total primary government program revenues	2,801,145	2,875,111	2,604,909	3,640,905	4,133,847
Net revenue (expense):					
Governmental activities	(6,829,456)	(7,959,381)	(8,255,402)	(9,440,789)	(9,712,580)
Business-type activities				<u> </u>	-
Total primary government net (expense)/revenues	(6,829,456)	(7,959,381)	(8,255,402)	(9,440,789)	(9,712,580)

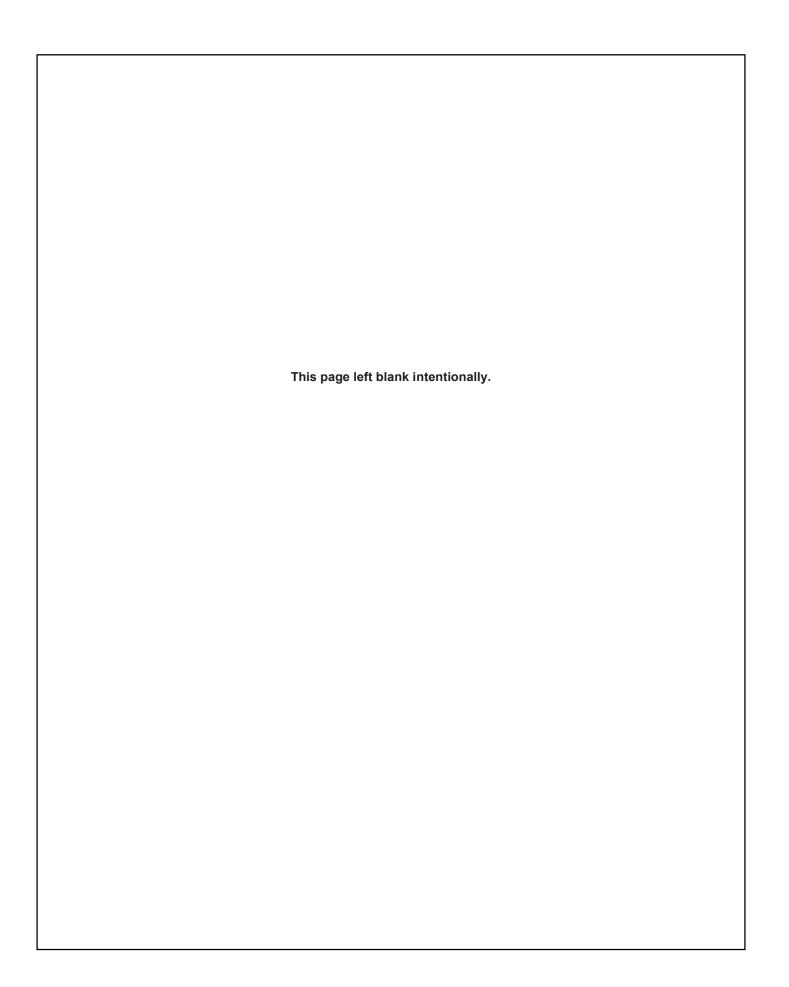
(continued)

			Fiscal Year		
	2019	2020	2021	2022	2023
Expenses					
Governmental activities:					
General government	\$ 2,915,204	\$ 2,602,747	\$ 2,815,709	\$ 1,811,690	\$ 3,799,677
Public safety	5,653,861	6,221,681	6,008,474	4,026,069	8,014,426
Public works	2,701,125	2,465,187	1,879,159	1,231,982	3,423,803
Community development	906,338	1,031,762	1,144,676	4,259,566	1,924,784
Economic development	-	-	-	223,036.00	268,388
Health and sanitation	59,863	79,151	124,465	41,618	81,264
Community services	1,349,768	1,464,616	593,713	696,557	1,467,340
Interest on long-term debt	_	-	40,625	40,939	38,360
Total governmental activities expenses	13,586,159	13,865,144	12,606,821	12,331,457	19,018,042
Business-type activities:					
Sewer	_	-	83,356	262,334	131,211
Total business-type activities expenses		_	83,356	262,334	131,211
Total primary government expenses	13,586,159	13,865,144	12,690,177	12,593,791	19,149,253
Program revenues					
Governmental activities:					
Charges for services:					
General government	322,903	283,628	172,682	170,079	96,705
Public safety	127,397	113,590	90,944	118,975	108,726
Public works	57,609	73,857	169,822	155,458	184,109
Community development	189,569	339,357	598,084	883,279	534,853
Health and sanitation	6,785	5,129	9,595	7,752	-
Community services	382,737	286,848	212,906	329,486	200,443
Operating grants and	,		,	,	
contributions	1,423,950	1,515,075	2,791,174	5,474,903	6,401,746
Capital grants and	1,120,000	1,010,010	2,701,771	0, 11 1,000	0,101,110
contributions	1,192,110	2,658,324	1,644,374	7,367,880	2,773,636
Total governmental activities program revenues	3,703,060	5,275,808	5,689,581	14,507,812	10,300,218
Business-type activities:					
Sewer:					
Charges for services	-	-	-	5,218	14,349
Operating grants and					
contributions	-	603,592	-	-	-
Capital grants and					
contributions	-	-	209,218	475,437	803,021
Total business-type activities program revenues		603,592	209,218	480,655	817,370
Total primary government program revenues	3,703,060	5,879,400	5,898,799	14,988,467	11,117,588
Net revenue (expense):					
Governmental activities	(9,883,099)	(8,589,336)	(6,917,240)	2,176,355	(8,717,824)
Business-type activities		603,592	125,862	218,321	686,159
Total primary government net (expense)/revenues	(9,883,099)	(7,985,744)	(6,791,378)	2,394,676	(8,031,665)

Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)

			Fiscal Year		
	2014	2015	2016	2017	2018
General revenues and					
other changes in net position					
Governmental activities:					
Taxes					
Property tax, levied for					
general purpose	\$ 1,977,219	\$ 2,046,167	\$ 2,057,945	\$ 2,085,053	\$ 2,188,281
Sales and use taxes	834,747	860,948	902,439	1,156,390	1,156,390
Sales tax in lieu	296,087	264,288	204,050	-	97,927
Property tax in lieu	2,688,079	2,747,309	2,807,033	2,831,097	2,869,122
Franchise taxes	624,084	622,531	615,767	613,152	704,961
Transient occupancy tax	816,017	878,195	943,747	1,110,536	1,445,085
Real property transfer taxes	22,161	25,404	33,287	30,427	38,728
Motor vehicle in lieu tax		12,635	10,428	11,711	14,170
Total taxes	7,258,394	7,457,477	7,574,696	7,838,366	8,514,664
Investment earnings	27,938	27,429	29,548	132,600	29,613
Other	83,360	193,340	127,653	98,019	127,784
Special item	-	-	(573,600)	-	-
Extraordinary item	440,453	-	-	-	-
Transfers in(out)	-	-	-	-	-
Total governmental activities	7,810,145	7,678,246	7,158,297	8,068,985	8,672,061
Business-type activities Transfers in(out)					
Change in net position:					
Governmental activities	980,689	(281,135)	(1,097,105)	(1,371,804)	(1,040,519)
Business-type activities					
Total primary government	\$ 980,689	\$ (281,135)	\$ (1,097,105)	\$ (1,371,804)	\$ (1,040,519)

		Fiscal Year												
	2019	2	2020		2021		2022	2023						
General revenues and														
other changes in net position														
Governmental activities:														
Taxes														
Property tax, levied for														
general purpose	\$ 2,235,565	\$ 2	,363,787	\$	2,480,111	\$	2,578,043	\$	2,871,282					
Sales and use taxes	1,156,390	1	,226,377		1,445,428		1,586,033		2,200,338					
Sales tax in lieu	246,094		-		-		-		-					
Property tax in lieu	2,975,088	3	,095,032		3,228,065		3,413,408		3,794,419					
Franchise taxes	719,642		666,066		766,859		844,290		930,375					
Transient occupancy tax	1,554,321	1	,288,869		1,927,425		2,481,175		2,346,125					
Real property transfer taxes	42,352		47,868		90,417		126,323		76,031					
Motor vehicle in lieu tax	12,982_		22,919		21,454		103,369		28,378					
Total taxes	8,942,434	8	,710,918		9,959,759		11,132,641		12,246,948					
Investment earnings	223,370		234,897		40,917		(179,141)		204,344					
Other	477,111		129,549		131,888		145,565		698,390					
Special item	-		-		-		-		_					
Extraordinary item	-		-		-		-		-					
Transfers in(out)	-		-		-		-		(934,950)					
Total governmental activities	9,642,915		,075,364		10,132,564		11,099,065	_	12,214,732					
Business-type activities														
Transfers in(out)			-				-		934,950					
Change in net position:														
Governmental activities	(240,184)		486,328		3,215,324		13,275,420		3,496,908					
Business-type activities			603,592		125,862		218,321		1,621,109					
Total primary government	\$ (240,184)	\$ 1	,089,920	\$	3,341,186	\$	13,493,741	\$	5,118,017					



Governmental Activities - Tax Revenues by Source Last Ten Fiscal Years (accrual basis of accounting)

				Property								
Fiscal		Transient			Sales		Sales	tax		Other		
year	Property	occupancy	Franchise		and use		in lieu	in lieu	taxes		Total	
2014	\$ 1,977,219	\$ 816,017	\$ 624,084	\$	834,747	\$	296,087	\$ 2,688,079	\$	22,161	\$	7,258,394
2015	2,046,167	878,195	622,531		860,948		264,288	2,747,309		38,039		7,457,477
2016	2,057,945	943,747	615,767		902,439		204,050	2,807,033		43,715		7,574,696
2017	2,085,053	1,110,536	613,152		1,156,390		-	2,831,097		42,138		7,838,366
2018	2,188,281	1,445,085	704,961		1,254,317		97,927	2,869,122		52,898		8,612,591
2019	2,235,565	1,554,321	719,642		1,156,390		246,094	2,975,088		55,334		8,942,434
2020	2,363,787	1,288,869	666,066		1,226,377		-	3,095,032		70,787		8,710,918
2021	2,480,111	1,927,425	766,859		1,445,428		-	3,228,065		111,871		9,959,759
2022	2,578,043	2,481,175	844,290		1,586,033		-	3,413,408		229,692		11,132,641
2023	2,871,282	2,346,125	930,375		2,200,338		-	3,794,419		104,409		12,246,948

Fund Balances of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year								
	2014	2015	2016	2017	2018				
General fund									
Nonspendable	\$ -	\$ 93,963	\$ 93,963	\$ 138,142	\$ 120,329				
Restricted for:									
Public safety	467,393	467,393	-	323,368	231,946				
Public works	1,366,558	1,366,558	-	-	-				
Assigned	50,000	50,000	80,000	-	-				
Unassigned	9,287,164	8,837,625	10,750,067 11,305,480		9,190,062				
	\$ 11,171,115	\$ 10,721,576	\$ 10,830,067	\$ 11,766,990	\$ 9,542,337				
All other governmental funds									
Restricted for:									
Public safety	124,187	105,806	111,737	60,558	55,304				
Public works	3,689,947	3,024,520	2,879,535	1,200,717	791,939				
Community development	10,961,203	10,939,744	10,475,971	9,159,551	7,796,791				
Economic development	-	-	-	-	-				
Health and sanitation	-	-	-	-	-				
Community services	-	-	-	-	-				
Assigned	376,918	338,899	339,312	1,739,983	1,895,228				
Unassigned		(84,722)	(37,597)	(355,494)	61,088				
Total all other governmental funds	\$ 15,152,255	\$ 14,324,247	\$ 13,768,958	\$ 11,805,315	\$ 10,600,350				

	Fiscal Year									
_		2019		2020		2021		2022		2023
General fund										
Nonspendable	\$	184,401	\$	1,199,327	\$	1,848,527	\$	93,963	\$	93,963
Restricted for:										
Public safety		-		-		-		-		406,426
Public works		-		-		-		-		-
Assigned		1,300,000		1,300,000		1,300,000		3,599,844		2,011,441
Unassigned		6,528,376		5,596,053		6,804,533		6,948,162		9,098,342
	\$	8,012,777	\$	8,095,380	\$	9,953,060	\$	10,641,969	\$ 1	11,610,172
All other governmental funds										
Restricted for:										
Public safety		59,140		59,704		21,925		-		-
Public works		841,749		2,110,737		1,891,858		2,084,121		2,347,191
Community development		7,355,824		7,240,136		5,168,824		1,347,973		1,195,707
Economic development		-		-		-	:	504,591.00		639,556
Health and sanitation		-		-		-		223,527.00		215,646
Community services		-		-		-		-		77
Assigned		4,324,172		3,314,664		2,872,561		5,425,636		4,756,084
Unassigned		(117,934)	_	(231,808)		(2,348,723)		(528,013)		(20,861)
Total all other governmental funds	\$_1	2,462,951	\$_	12,493,433	\$_	7,606,445	\$	9,057,835	\$_	9,133,400

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year							
	2014	2015	2016	2017	2018			
Revenues								
Taxes	\$ 7,259,02	23 \$ 7,458,034	\$ 7,575,288	\$ 7,839,267	\$ 8,500,494			
Licenses, permits and fees	202,19	7 188,755	206,678	234,946	256,673			
Intergovernmental	1,922,21	19 2,189,528	1,869,087	2,339,955	3,129,917			
Charges for services	578,93	390,507	459,100	1,021,910	574,146			
Fines, forfeitures, and penalties	60,98	53,192	49,439	28,302	22,343			
Use of money and property	50,88	30 47,345	43,625	122,221	141,749			
Other	67,21	19 145,351	133,588	116,432	180,586			
Total revenues	10,141,45	10,472,712	10,336,805	11,703,033	12,805,908			
Expenditures								
Current:								
General government	1,566,83	36 2,570,015	1,442,203	1,857,763	5,172,731			
Public safety	3,712,40	3,854,540	4,038,181	4,247,967	4,446,864			
Public works	1,175,17	74 1,414,470	1,624,365	2,137,014	2,971,995			
Community development	582,70	360,708	370,474	519,306	577,433			
Economic development	-	-	-	-	-			
Health and sanitation	60,76	72,751	48,990	66,555	53,424			
Community services	1,595,46	1,651,970	1,641,196	1,703,505	1,074,549			
Debt service:								
Principal retirement	6,24	17 -	-	-	-			
Interest and fiscal charges	7	76 -	-	-	_			
Capital outlay	1,892,96	1,786,427	1,618,194	2,298,463	1,938,530			
Total expenditures	10,592,64	11,710,881	10,783,603	12,830,573	16,235,526			
Excess of revenues								
over (under) expenditures	(451,18	32) (1,238,169)	(446,798)	(1,127,540)	(3,429,618)			
Other financing sources (uses)								
Contributions								
from successor agency	19,54	- 14	-	-	-			
Issuance of debt, lease and								
subscription acquisition			-	-	-			
Transfers in	520,61	10 64,549	728,669	202,000	255,493			
Transfers out	(520,61	10) (64,549)	(728,669)	(202,000)	(255,493)			
Proceeds from sale of								
capital assets	7,80	00 54,585		6,857				
Total other financing sources (uses)	27,34	14 54,585	-	6,857	-			
Net change in fund balances	\$ (423,83	\$ (1,183,584)	\$ (446,798)	\$ (1,120,683)	\$ (3,429,618)			
Debt service as a percentage of								
non-capital expenditures	0.07%	0.00%	0.00%	0.00%	0.00%			

	Fiscal Year											
		2019		2020		2021		2022		2023		
Revenues												
Taxes	\$	9,425,427	\$	9,222,044	\$	10,508,177	\$	11,265,424	\$	13,543,790		
Licenses, permits and fees		262,507		430,948		803,988		1,465,591		1,601,609		
Intergovernmental		2,198,744		3,761,678		3,863,183		11,744,430		7,935,414		
Charges for services		570,966		420,078		348,021		517,656		520,939		
Fines, forfeitures, and penalties		31,023		23,921		13,894		28,505		27,241		
Use of money and property		364,827		347,953		48,273		(179,141)		204,345		
Other		207,865		87,218		186,034		145,857		177,053		
Total revenues		13,061,359		14,293,840		15,771,570		24,988,322		24,010,391		
Expenditures												
Current:												
General government		2,279,072		1,997,590		2,309,932		2,403,872		2,702,771		
Public safety		4,534,322		4,803,036		4,999,233		5,342,058		5,725,463		
Public works		2,166,267		1,903,083		1,563,517		1,634,676		2,445,946		
Community development		726,871		796,503		952,405		1,121,463		1,375,056		
Economic development		-		-		-		223,036.00		268,388		
Health and sanitation		48,008		61,104		103,559		55,221		58,054		
Community services		1,082,497		1,130,660		493,987		924,238		1,048,260		
Debt service:												
Principal retirement		-		-		36,964		39,539		66,269		
Interest and fiscal charges		-		-		40,624		39,505		38,360		
Capital outlay		2,695,212		4,172,514		8,290,657		10,955,905		8,410,522		
Total expenditures		13,532,249		14,864,490		18,790,878		22,739,513		22,139,089		
Excess of revenues												
over (under) expenditures		(470,890)		(570,650)		(3,019,308)		(3,019,308)		1,871,302		
Other financing sources (uses)												
Contributions												
from successor agency		-		-		-		-		-		
Issuance of debt, lease and												
subscription acquisition		569,315		691,235		-		11,291		107,416		
Transfers in		3,039,076		1,543,467		850,225		7,420,352		6,648,569		
Transfers out		(3,089,076)		(1,550,967)		(860,225)		(8,043,839)		(7,583,519)		
Proceeds from sale of												
capital assets		284,616						_		-		
Total other financing sources (uses)	_	803,931	_	683,735	_	(10,000)	_	(612,196)	_	(827,534)		
Net change in fund balances	\$	333,041	\$	113,085	\$	(3,029,308)	\$	(3,631,504)	\$	1,043,768		
Debt service as a percentage of												
non-capital expenditures		0.00%		0.00%		0.74%		0.67%		0.73%		

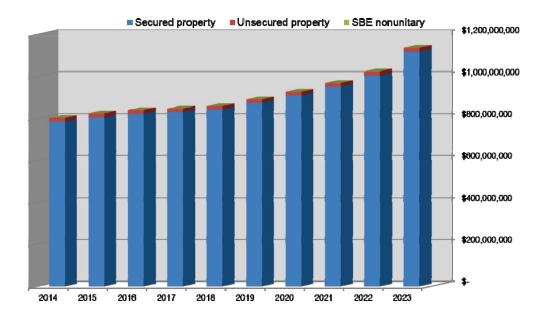
General Government Revenues by Source Last Ten Fiscal Years (modified accrual basis of accounting)

Fiscal year ended June 30	Property taxes	Property tax in lieu	Sales & use taxes	Franchise taxes	Business Licenses	Room taxes
2014	\$ 1,977,219	\$ 2,688,079	\$ 1,130,834	\$ 624,084	\$ 39,587	\$ 816,017
2015	2,046,167	2,747,309	1,125,236	622,531	38,328	878,195
2016	2,057,945	2,807,033	1,016,489	615,767	42,560	943,747
2017	2,085,053	2,831,097	1,156,390	613,152	39,954	1,110,536
2018	2,188,281	2,869,122	1,156,390	704,961	24,519	1,445,085
2019	2,235,565	2,975,088	1,402,484	719,642	46,670	1,332,569
2020	2,363,787	3,095,032	1,226,377	666,066	48,029	1,288,869
2021	2,480,111	3,228,065	1,445,428	766,859	60,131	1,927,425
2022	2,578,043	3,413,408	1,586,033	844,290	89,617	2,481,175
2023	2,871,282	3,794,419	2,200,338	930,375	69,387	2,346,125

Fiscal year ended June 30	Other taxes		mits &	mo	Use of money and property		Intergovernmental revenues & charges for services		Other evenues	 Total
2014	\$ 114,777	\$ 1	31,606	\$	50,880	\$	2,501,154	\$	67,219	\$ 10,141,456
2015	115,377	1	26,836		47,345		2,580,035		145,351	10,472,710
2016	132,720	1	25,174		43,625		2,328,187		133,588	10,246,835
2017	123,935	1	42,388		122,221		3,361,865		116,432	11,703,023
2018	141,954	2	256,673		141,749		3,696,588		180,586	12,805,908
2019	522,680	2	262,507		364,827		2,742,814		456,513	13,061,359
2020	581,913	3	82,919		347,953		4,181,756		111,139	14,293,840
2021	660,294	7	43,857		48,273		4,211,204		199,923	15,771,570
2022	390,980	1,3	375,974		(179,141)		12,262,086		145,857	24,988,322
2023	1,401,251	1,5	32,222		204,345		8,456,353		204,294	24,010,391

Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal year ended June 30	Secured property	Unsecured property	SBE nonunitary	Total taxable assessed value	Total direct tax rate
2014	\$ 781,792,218	\$ 20,057,318	\$ 86,754	\$ 801,936,290	0.28055 %
2015	802,424,517	20,937,193	252,649	823,614,359	0.28055 %
2016	819,140,029	22,126,150	252,649	841,518,828	0.28055 %
2017	829,433,547	19,046,841	252,649	848,733,037	0.28056 %
2018	841,474,081	18,405,803	252,649	860,132,533	0.28057 %
2019	874,065,397	17,581,904	252,649	891,899,950	0.28057 %
2020	908,885,222	18,715,010	257,656	927,857,888	0.28506 %
2021	949,184,759	18,295,839	257,656	967,738,254	0.28472 %
2022	1,003,153,814	19,892,321	257,656	1,023,303,791	0.28493 %
2023	1,116,657,102	20,612,032	257,656	1,137,526,790	0.28539 %



Source: San Bernardino County Assessor Combined Tax Rolls

Note 1:

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 re-assessed 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 date 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.

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Agency	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Basic Levy	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Copper Mountain Community College Bond	0.02660	0.02830	0.02020	0.02600	0.02420	0.02420	0.02430	0.02350	0.02180	0.01930
Morongo Unified School Bond	0.05280	0.05250	0.04660	0.05000	0.04970	0.04970	0.04360	0.04100	0.03910	0.03130
Total Direct & Overlapping Tax Rates	1.07940	1.08080	1.06680	1.07600	1.07390	1.07390	1.06790	1.06450	1.06090	1.05060
City's Share of 1% Levy Per Prop 13	0.28073	0.28073	0.28073	0.28073	0.28073	0.28073	0.28073	0.28073	0.28073	0.28073
Total Direct Rate	0.28055	0.28055	0.28055	0.02056	0.28057	0.28057	0.28056	0.28472	0.28493	0.28539

Source: San Bernardino County Assessor annual tax increment tables.

Property Tax Levies and Collections Last Ten Fiscal Years

	Total tax		within the of the levy	Collections in	Total collections to date		
Fiscal year	levy for		Percentage	subsequent		Percentage	
ended June 30	fiscal year	Amount	of levy	years	Amount	of levy	
2014	\$ 1,977,219	\$ 1,977,219	100.00%	-	\$ 1,977,219	100.00%	
2015	2,046,167	2,046,167	100.00%	-	2,046,167	100.00%	
2016	2,057,945	2,057,945	100.00%	-	2,057,945	100.00%	
2017	2,085,053	2,085,053	100.00%	-	2,085,053	100.00%	
2018	2,188,281	2,188,281	100.00%	-	2,188,281	100.00%	
2019	2,235,565	2,235,565	100.00%	-	2,235,565	100.00%	
2020	2,363,787	2,363,787	100.00%	-	2,363,787	100.00%	
2021	2,480,111	2,480,111	100.00%	-	2,480,111	100.00%	
2022	2,578,043	2,578,043	100.00%	-	2,578,043	100.00%	
2023	2,871,282	2,871,282	100.00%		2,871,282	100.00%	

Source: City of Twentynine Palms, Finance Department

Ratio of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal year ended June 30	Le	ases	Subs	criptions	Loans		Loans		Loans		Total governmental activities		Percentage of personal income ⁽¹⁾	Per capita ⁽¹⁾
2014	\$	-	\$	-	\$	-	\$	-	0.0000%	-				
2015		-		-		-		-	0.0000%	-				
2016		-		-		-		-	0.0000%	-				
2017		-		-		-		-	0.0000%	-				
2018		-		-		-		-	0.0000%	-				
2019		-		-	5	69,315		569,315	0.1081%	18.19				
2020		-		-	1,2	60,550		1,260,550	0.2323%	18.54				
2021		-		-	1,2	63,036		1,263,036	0.2279%	18.49				
2022		-		-	1,2	24,900		1,224,900	0.2183%	20.26				
2023	:	28,231		62,149	1,1	85,555		1,275,935	0.2013%	24.44				

Source: (1) 2010 and later: US Census Bureau, most recent American Community Survey

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Legal Debt Margin Information Last Ten Fiscal Years

Fiscal year 2023

Assessed value \$ 1,137,526,790

Debt Limit (15% of assessed value) \$ 170,629,019

Fiscal year	Debt limit	(in thousands)
2014	\$	120,290
2015		123,517
2016		126,228
2017		127,310
2018		129,020
2019		133,785
2020		139,179
2021		145,160
2022		153,496
2023		170,629

Source: San Bernardino County Auditor/Controller

Note: The City has no applicable outstanding debt.

Pledged Revenue Coverage Last Ten Fiscal Years

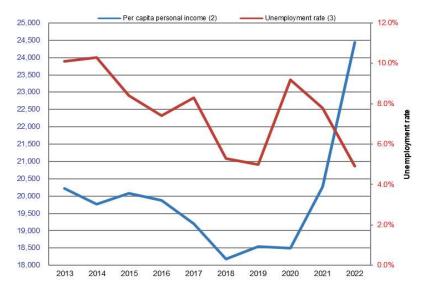
	Tax allocation bonds							
Fiscal year	Tax			Debt				
ended June 30	incr	increment		Principal		erest	Coverage	
2014	\$	_	\$	_	\$	_	0%	
2015	Ψ	_	Ψ	_	Ψ	_	0%	
2016		-		-		-	0%	
2017		_		-		-	0%	
2018		-		-		-	0%	
2019		-		-		-	0%	
2020		-		-		-	0%	
2021		-		-		-	0%	
2022		-		-		-	0%	
2023		-		-		-	0%	

Source: City of Twentynine Palms, Finance Department

Notes: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Demographic and Economic Statistics Last Ten Calendar Years

Calendar year	Population ⁽¹⁾	(in t	Personal income thousands dollars) ⁽²⁾	ре	r capita ersonal come ⁽²⁾	Unemployment rate ⁽³⁾
2013	26,576	\$	537,340	\$	20,219	10.1%
2013	26,550	Ψ	524.894	Ψ	19,770	10.3%
	,		- ,		,	
2015	26,138		529,408		20,089	8.4%
2016	26,919		535,226		19,882	7.4%
2017	27,046		519,560		19,210	8.3%
2018	28,958		526,768		18,190	5.3%
2019	29,258		542,569		18,544	5.0%
2020	29,967		554,193		18,493	9.2%
2021	27,685		561,087		20,266	7.8%
2022	25,929		633,875		24,446	4.9%



Sources:

- (1) California State Department of Finance
- (2) US Census Bureau, most recent American Community Survey
- (3) California Employment Development Department

Full-time Equivalent City Government Employees by Function Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function										
General government	7	7	7	7	7	8	8	8	9	9
Animal control										
Animal control officers	2	2	2	2	2	2	2	2	2	3
Kennel workers	2	2	2	2	2	1	1	2	2	2
Public works										
Maintenance	10	10	10	11	11	11	11	10	11	12
Community development	3	2	3	3	4	4	4	5	5	6
Economic development	-	-	-	-	1	1	1	1	1	1
Community services	7	6	6	6	6	6	6	5	7	7
Total Source: City of Twentynine P	31 alms, Fin	29 ance De	30 epartme	31 ent	32	32	32	32	37	40

Capital Asset Statistics by Function Last Ten Fiscal Years

	Fiscal Year										
Function	2014	2015	2016	2017	2018						
Public works											
Streets (miles)	177	177	177	177	177						
Streetlights	327	327	327	327	327						
Traffic Signals	7	7	7	8	8						
Community Services											
Parks acreage	80	80	80	80	80						
Parks	3	3	3	3	3						
Swimming pools	2	2	2	2	2						
Community Centers	2	2	2	2	2						
EV Charger Stations	-	-	-	-	1						

Source: City of Twentynine Palms, Finance Department

Capital Asset Statistics by Function (continued) Last Ten Fiscal Years

	Fiscal Year										
Function	2019	2020	2021	2022	2023						
Public works											
Streets (miles)	177	177	177	178	178						
Streetlights	327	327	325	325	325						
Traffic Signals	8	9	9	9	10						
Community Services											
Parks acreage	80	80	80	80	80						
Parks	3	3	3	3	3						
Swimming pools	2	2	2	2	1						
Community Centers	2	2	2	4	4						
EV Charger Stations	1	1	1	5	5						

Operating Indicators by Function Last Ten Fiscal Years

	Fiscal Year									
Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Animal Control:										
Adopted	662	637	549	558	480	678	663	437	482	430
Animal licenses issued	523	539	401	573	423	491	461	433	409	252
Community Development:										
Building permits, including Plan checks										
Issued	777	703	741	804	697	999	1,193	1,462	1,488	1,248
New single family residential	8	11	1	9	2	3	3	8	16	16
New multi family residential	-	-	-	-	8	-	4	2	-	3
Public Works:										
Street resurfacing										
In-house (miles)	4	6	1	3	2	3	4	1	1	5
Contract (miles)	7	-	3	14	9	2	8	-	1	4
Berms in-house (miles)	-	-	14.8	-	-	-	-	-	-	-
Parks and Recreation:										
Number of youth sports participants	848	944	1,000	1,096	893	917	889	193	709	821
Recreation classes participants	94	156	106	121	181	172	374	301	563	574

Source: City of Twentynine Palms, Finance Department

Memo - Statistical Section

Revenue capacity

Property tax revenues and collections

The City receives property taxes under the "Teeter Plan." The Teeter Plan allows cities to collect 100 percent of assessed taxes each year in lieu of receiving only those taxes collected by the County currently and receiving penalties and interest when delinquent taxes are collected in future years.

The City has entered such a contract with the County of San Bernardino, which allows the City to have a more reliable and predictable revenue stream. The County benefits by charging interest rates that are substantially higher than market rates when the delinquencies are collected.

Principal property taxpayers

The City does not provide this information due to privacy concerns.

Property tax rates for overlapping governments

California Law provides that general property taxes are assessed at one percent of assessed value. When the constitutional amendment enacting this provision commonly referred to as Proposition 13 or the "Jarvis Amendment," went into effect, the taxing agencies within San Bernardino County agreed on a distribution of the one percent among them. The City was not incorporated at that time. Upon incorporation, the City negotiated with the County for a portion of the County allocation. That agreed upon allocation is 26.5 percent of the one percent, or a little more than one quarter of one percent of the assessed valuation. A chart showing the distribution of property taxes is included in the statistical section of this report.

Debt capacity

Direct and overlapping debt

There are no general obligation bonds outstanding by any of the taxing agencies within the City.

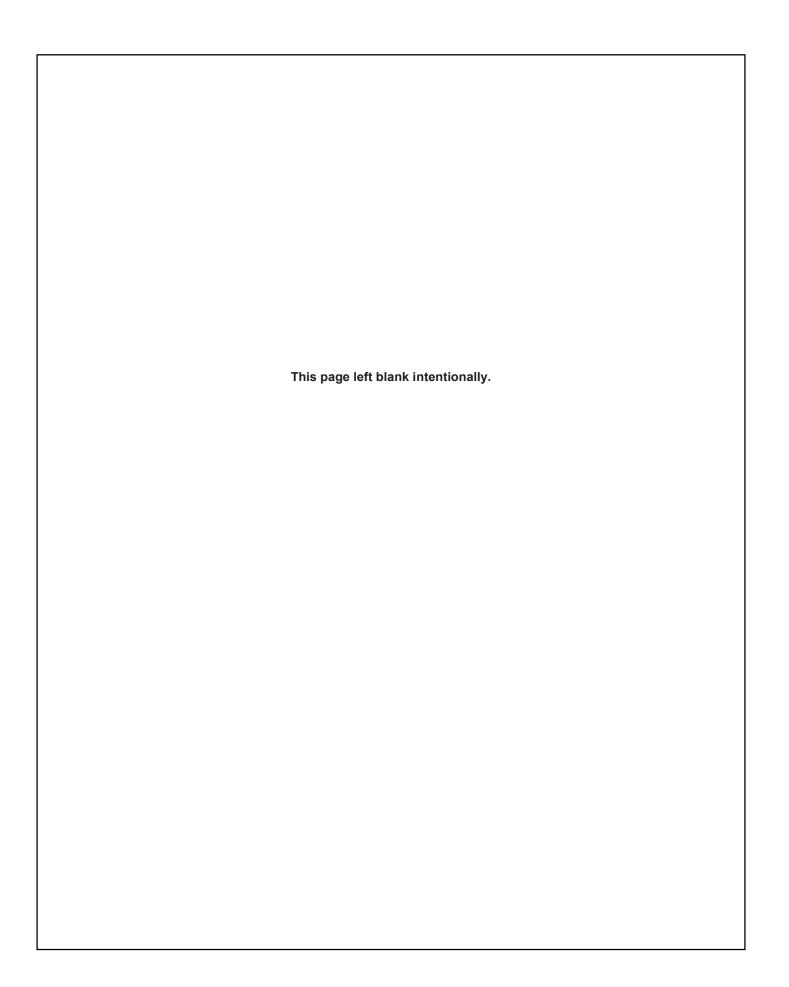
Ratio of general bonded debt

The City has no general bonded debt.

Demographic and economic information

Principal Employers

The City does not currently collect this information.





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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Honorable City Council City of Twentynine Palms, California

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Twentynine Palms (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody e Scott, LLP.

San Bernardino, California November 20, 2023



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November 20, 2023

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To the Honorable City Council City of Twentynine Palms, California

We have audited the financial statements of the City of Twentynine Palms as of and for the year ended June 30, 2023, and have issued our report thereon dated November 20, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 14, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence



The engagement team, others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the possibility of the following significant risks:

Management's override of internal controls over financial reporting – Management override of internal controls is the intervention by management in handling financial information and making decisions contrary to internal control policy.

Revenue recognition – Revenue recognition is a generally accepted accounting principle that refers to the conditions under which an entity can recognize a transaction as revenue. Auditing standards indicate that recognizing revenue is a presumed fraud risk and usually classified as a significant risk in most audits.

These significant risks are presumptive in most audits and merit attention by the auditors due to the direct impact over financial reporting and internal control processes. Although identified as significant risks, we noted no matters of management override of controls or deviations from generally accepted accounting principles which caused us to modify our audit procedures or any related matters which are required to be communicated to those charged with governance due to these identified risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. The City adopted GASB Statement No. 96, Subscription-Based Information Technology Arragangements and Statement No. 101, Compensated Absences, during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of depreciation expense is based on the useful lives of acquired assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred inflows and outflows of resources are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the statements taken as a whole.

Management's estimate of the liability for other post-employment benefits (OPEB) and related deferred inflows and outflows of resources are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of leases receivable, deferred inflows of resources related to leases, and lease amortization is based on present value calculations using certain terms and assumptions in the lease agreements in accordance with generally accepted accounting principles. Management's estimate of lease and subscription liabilities, right-to-use assets, and asset amortization is based on present value calculations using certain terms and assumptions in the lease/subscription agreements and estimated useful lives of assets in accordance with generally accepted accounting principles. We evaluated the key factors and assumptions used to develop the lease and subscription related estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

The disclosure of fair value of investments in the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of accumulated depreciation in the basic financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure of net pension liability and related deferred inflows and outflows of resources in the basic financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.

The disclosure of the other post-employment benefits (OPEB) and related deferred inflows and outflows of resources in the basic financial statements identifies the annual OPEB cost and the funded status of the actuarial accrued liability. The information disclosed is based on actuarial assumptions which could differ from actual costs.

The disclosure of leases receivable, deferred inflows of resources related to leases, lease/subscription amortization, leases/subscription liabilities, right-to-use assets, and asset amortization in the basic financial statements is based on certain terms and assumptions in the lease agreements which could differ from actual amounts.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such mistatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 20, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of the Plan's Proportionate Share of the Plan's Net Pension Liability and Related Ratios, the Schedule of Plan's Contributions, the Schedule of Changes in the Net OPEB Liability and Related Ratios , and the Schedule of OPEB Plan Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund financial statements and the budgetary comparison schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on it.

Restriction on Use

This report is intended solely for the information and use of the Honorable City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rogers, Anderson, Malochy & Scott, LLP.

San Bernardino, California

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COUNCILMEMBERS

McArthur Wright, Mayor Steven Bilderain, Mayor Pro Tem Joel A. Klink Daniel L. MIntz, Sr Octavious Scott

INTERIM CITY MANAGER
Larry Bowden

November 20, 2023

Rogers, Anderson, Malody and Scott, LLP 735 E. Carnegie Dr., Suite 100 San Bernardino, CA 92408

This representation letter is provided in connection with your audit of the basic financial statements of the City of Twentynine Palms (the City) which comprise of the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 20, 2023:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 14, 2023, for the
 preparation and fair presentation of the financial statements of the various opinion units referred to above in
 accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- . We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies
 related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- · All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and
 Management's Discussion and Analysis—for State and Local Governments, GASB Statement No. 37, Basic
 Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus
 as amended, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, for presentation
 as major are identified and presented as such and all other funds that are presented as major are considered
 important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- · All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- · Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- · All required supplementary information is measured and presented within the prescribed guidelines.
- We have evaluated all our lease agreements and have given you our assessment as to whether each lease agreement is subject to GASB Statement No. 87, Leases and GASB Statement No. 96, Subscription Based IT Arrangements.
- · With regard to investments and other instruments reported at fair value:
 - a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c) The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to the preparation of the financial statements, we have performed the following:
 - a) Made all management decisions and performed all management functions;
 - b) Assigned a competent individual to oversee the services;
 - c) Evaluated the adequacy of the services performed;
 - d) Evaluated and accepted responsibility for the result of the service performed; and
 - e) Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
 - a) Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters:
 - b) Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially
 misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - a) Management;
 - b) Employees who have significant roles in internal control; or
 - c) Others where the fraud could have a material effect on the financial statements.

CITY OFFICES: 6136 ADOBE ROAD TWENTYNINE PALMS, CA 92277 (760) 367-6799 Fax (760)367-4890 www.29palms.org



COUNCILMEMBERS

McArthur Wright, Mayor Steven Bilderain, Mayor Pro Tem Joel A. Klink Daniel L MIntz, Sr Octavious Scott

INTERIM CITY MANAGER
Larry Bowden

- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the City's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, for those guarantees where it is more likely than not that the City will make a payment on any guarantee.
- We have disclosed to you all significant estimates and material concentrations known to management that are
 required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and
 Financial Reporting Guidance Contained in Pre-December 30, 1989 FASB and AICPA Pronouncements.
 Significant estimates are estimates at the balance sheet date that could change materially within the next year.
 Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic
 areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and
- There are no:
 - a) Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b) Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - d) Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has
 any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a
 material effect on the financial statements in the event of noncompliance.

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information (SI) accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the SI in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).
- We believe the SI, including its form and content, is fairly presented.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited financial statements
 or, if the supplementary information will not be presented with the audited financial statements, to make the audited

financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the City of the supplementary information and the auditor's report thereon.

Required Supplementary Information

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- With respect to the required supplementary information (RSI) accompanying the financial statements:
 - a) We acknowledge our responsibility for the presentation of the RSI in accordance with accounting principles general accepted for government in the United States of America (U.S. GAAP).
 - b) We believe the RSI, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).
 - c) The methods of measurement or presentation have not changed from those used in the prior period.

Use of a Specialist

An actuary has been used by the City to measure pension and other post-employment benefits liabilities and costs.

We have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

• We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances

Signature:	Signature: Abigail Hernandez Conde
Title: Interim City Manager	Title: Finance Director
Printed Name: <u>James L. Bowden</u>	Printed Name: <u>Abigail Hernandez Conde</u>
Date: 11/20/2023	Date: 11/20/2023



Independent Accountant's Report

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MEMBERS

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Governmental Audit Quality Center

California Society of Certified Public Accountants



To the Honorable City Council City of Twentynine Palms, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the City of Twentynine Palms, California (the City) for the year ended June 30, 2023. The management of the City is responsible for the accompanying Appropriations Limit Worksheet.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. These procedures, which were suggested by the League of California Cities and presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution,* were performed solely to assist you in meeting the requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

 We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

We agreed the current year information presented in the accompanying Appropriations Limit Worksheet to the other documents referenced in number one above.

Finding: No exceptions were noted as a result of our procedures.

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STABILITY. ACCURACY. TRUST.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on accompanying Appropriations Limit Worksheet for the year ended June 30, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and management of the City of Twentynine Palms, California, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

November 20, 2023

CITY OF TWENTYNINE PALMS APPROPRIATIONS LIMIT WORSHEET 2022 - 2023

Per capita personal income change		7.55%
Population change: City population growth		-0.77%
PCPI change converted to a ratio		1.0755
Population change converted to a ratio		0.9923
Calculation of growth factor		1.0672
2021-2022 Limit	\$ 64,487,244	
2022-2023 Limit (\$64,487,244 x 1.0672)	\$ 68,821,989	