

City of Calimesa

Calimesa, California

*Annual Audit Report and Financial
Statements*

For the year ended June 30, 2022

City of Calimesa
Annual Audit Report and Financial Statements
For the year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Calimesa
Calimesa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Calimesa, California (City), as of and for the year ended June 30, 2022, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

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 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, 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.⁵
- 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, pension schedules and budgetary comparison information on pages 5-15 and 64-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

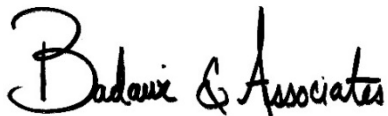
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules of nonmajor governmental funds are presented for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

The combining and individual nonmajor fund financial statements and budgetary comparison schedules of nonmajor governmental funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other budgetary comparison schedules, combining and individual nonmajor fund financial statements, and budgetary comparison schedules of nonmajor governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Calimesa
Calimesa, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates, CPAs
Berkeley, California
November 22, 2022

City of Calimesa

Management's Discussion and Analysis

For the year ended June 30, 2022

This section provides the reader a narrative introduction and a readily understandable analytical overview of the City of Calimesa's (City) financial activities and performance for the fiscal year ended June 30, 2022. Summary reports showing comparisons of current financial information with that of the previous year are included to enhance the clarity and usefulness of the reports. To gain a broad perspective of the City and its financial activities, we encourage the reader to consider the information presented here in conjunction with the information that we have provided in the letter of transmittal presented at the beginning of this report.

FINANCIAL HIGHLIGHTS

- At June 30, 2022, the City assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$45.5 million. Approximately 48% of this amount is invested in capital assets (net of related debt) and therefore not available to meet the City's ongoing operations.
- During the fiscal year, the City's net position increased by \$4 million.
- At June 30, 2022, the City's governmental funds reported combined ending fund balance of \$24.4 million, an increase of \$1.9 million compared to prior fiscal year.
- At June 30, 2022, the City's general fund reported ending fund balance of \$8.7 million, an increase of \$1.3 million compared to prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consists of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Basic Financial Statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the City's financial position and activities, in a manner similar to private-sector business reporting. The Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences reported as Net Position. This statement reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. Increases and decreases in Net Position serve as useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities provides information on how the City's Net Position changed during the 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 the related cash flows. All revenues earned and expenses incurred during the fiscal year are reported in this statement, regardless of timing of related cash flows.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-Wide Financial Statements, Continued

The Government-Wide Financial Statements present governmental activities only because the City does not have business-type activities. The governmental activities of the City include general government, public safety, public works, community services and development, parks and recreation, and library. Property and local taxes, investment earnings, charges for services, operating and grants and contributions finance these activities.

Fund Financial Statements

Funds are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental Fund Financial Statements are used to report basically the same functions 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 the available balances of spendable resources at the end of the fiscal year. This information may be useful in assessing the City's near-term financial requirements.

To better understand the City's long-term and near-term financial requirements, it is useful to compare the information presented for governmental funds with the information provided for governmental activities in the Government-Wide Financial Statements. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports 15 governmental funds. The major governmental funds are the General Fund, Measure A Fund, Mitigation Fees Fund and American Rescue Plan Act (ARPA) Special Revenue Fund, which are presented separately in the Governmental Fund Financial Statements. Information on the other governmental funds is combined into a single aggregated presentation as non-major governmental funds. Individual fund data for each non-major governmental fund is provided in the form of combining statements as supplementary information elsewhere in the report.

Fiduciary funds are used to account for resources held for the benefit of parties external to the City. These funds are not included in the Government-Wide Financial Statements because the resources of the fiduciary funds are not available to support the City's own programs. The City's Fiduciary Fund Financial Statements provide financial information about the activities of the Special Assessment Districts, for which the City acts solely as an agent. The City's fiduciary funds are presented as an agency fund that accounts for the aggregate activity in the City's Community Facilities Districts (CFD), as well as a private purpose trust fund to account for the activity of the Successor Agency to the City.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Notes to Basic Financial Statements

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Supplementary Information

The Required Supplementary Information includes budgetary comparison schedules for the General Fund, Measure A Fund and the Mitigation Fees Fund.

Combining and individual fund statements and schedules provide information for non-major governmental funds and are presented immediately following the Required Supplementary Information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table shows the condensed comparative Statement of Net Position for the fiscal years ended June 30, 2022 and 2021.

Comparative Statements of Net Position
June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Assets:		
Cash and investments	\$ 26,133,590	\$ 23,066,416
Other assets	4,374,162	2,583,006
Capital assets, net	22,341,317	20,267,720
Total Assets	52,849,069	45,917,142
Deferred Outflows of Resources		
Deferred outflow - pension contribution	156,867	131,048
Deferred outflow - pension related amounts	117,093	144,331
Total Deferred Outflows of Resources	273,960	275,379
Liabilities:		
Long-term liabilities	1,017,996	1,533,873
Other liabilities	6,129,790	3,108,961
Total Liabilities	7,147,786	4,642,834
Deferred Inflows of Resources		
Deferred inflow - pension related amounts	448,904	69,032
Total Deferred Inflows of Resources	448,904	69,032
Net Position:		
Net Investment in Capital Assets	22,078,839	19,966,119
Restricted	15,555,294	14,935,222
Unrestricted	7,892,206	6,579,314
Total Net Position	\$ 45,526,339	\$ 41,480,655

City of Calimesa
Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Net Position may serve over time as a useful indicator of the City's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45.5 million. This is an increase of \$4.0 million or 10% over the prior fiscal year. The reasons for this increase are detailed below in the Comparative Statements of Activities and Changes in Net Position.

The largest portion of the City's Net Position, \$22 million, or 48%, is investment in capital assets. The City uses these capital assets to provide services to residents; consequently, they are not available for future spending. There is outstanding debt of \$262,478 with relation to capital assets.

Another portion of the City's Net Position, \$15.6 million, or 34%, are resources subject to external restrictions and may only be used for the purpose intended by the entities that provided these funds to the City.

The remaining balance of the City's Net Position of \$7.9 million, or 17%, represents unrestricted Net Position, which may be used to finance daily operations without constraints established by debt covenants or other legal requirements.

The City's cash and investments increased by \$3,067,174.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The following table shows the condensed comparative Statements of Activities and Changes in Net Position for the fiscal years ended June 30, 2022 and 2021.

Comparative Statements of Activities and Changes in Net Position
June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 1,993,540	\$ 2,467,934
Operating grants and contributions	658,374	657,200
Capital grants and contributions	3,057,405	3,350,977
Total program revenues	<u>5,709,319</u>	<u>6,476,111</u>
General revenues:		
Taxes:		
General property taxes	3,904,944	3,563,079
Sales tax	1,491,164	1,173,073
Motor vehicle in-lieu	1,312,885	1,137,502
Franchise fees	523,468	502,529
Transient occupancy tax	95,675	86,990
Business Licenses	46,853	42,317
Unrestricted investment earnings	93,373	114,902
Unrealized loss on investments	(384,192)	-
Other	73,657	85,331
Total general revenues	<u>7,157,827</u>	<u>6,705,723</u>
Total Revenues	<u>12,867,146</u>	<u>13,181,834</u>
Expenses:		
General government	\$ 1,660,155	\$ 1,820,362
Public safety	4,883,140	4,400,917
Public works	1,129,070	1,029,471
Community development	925,353	904,792
Parks and recreation	200,527	237,755
Library	23,217	21,306
Total Expenses	<u>8,821,462</u>	<u>8,414,603</u>
Increase in net position	4,045,684	4,767,231
Net position - beginning	41,480,655	36,713,424
Net position - ending	<u>\$ 45,526,339</u>	<u>\$ 41,480,655</u>

City of Calimesa
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GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The City's expenses totaled \$8.8 million in fiscal year 2021-22. These expenses were funded by program revenues of \$5.7 million and general revenues of \$7.1 million. This resulted in an increase in Net Position of \$4.0 million.

Program Revenues - Program Revenues include fees and other specific charges designed to support the costs of programs provided to residents, as well as revenues related to operating activity, capital improvements and new development. Charges for services decreased by \$474,394 due to a decrease in development related activity including reduction in revenues for building permits. Operating Grants and Contributions remained consistent with the prior year. Capital grants and contributions decreased by \$293,572 due to a decrease in development mitigation fees and development contributions collected in 2021-22. Overall, program revenues decreased by \$766,792.

General Revenues - The overall increase from the prior year is approximately \$452,103 or 7%. This is primarily due net changes with increases and decreases to revenue categories. Increases include \$341,865 or 10% in property taxes, \$175,383 or 15% in motor vehicle-lieu taxes, and \$318,091 or 27% increase in sales taxes. Also, there was a steady increase in revenue categories including franchise fees and transient occupancy tax. Investment earnings decreased with an unrealized loss of \$384,192 which was partially offset by interest and dividend earnings of \$93,373. It should be noted no material unrealized losses were recognized in the prior year.

Expenses - The overall increase from the prior year is approximately \$459,894 million or 5%. The most significant increase resulted from Public Safety of \$482,000. This primarily related to the addition of Problem Oriented Police (POP) officer for the community as well as equipment purchased for the fire department to assist with the transition of providing expanded advanced life support services to the community. Other expense categories remained relatively consistent with prior year activity.

FUND FINANCIAL ANALYSIS

Governmental Funds

The City's governmental funds provide information on short-term inflows, outflows, and balances of spendable resources. This information is useful in evaluating the City's financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of fiscal year.

At June 30, 2022, the City's combined governmental fund balances were \$24.4 million, an increase of \$2 million, or 9%, over the prior fiscal year. Of this amount, approximately \$15.6 million represents restricted fund balance, \$2.6 million represents committed fund balance, and \$.2 million represents assigned fund balance. The balance represents unassigned fund balance of \$6 million.

City of Calimesa
Management's Discussion and Analysis
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FUND FINANCIAL ANALYSIS, Continued

The City's governmental revenues in fiscal year 2021-22 were \$13 million, in total this is relatively consistent with prior year governmental revenues. There were both increases and decreases in all revenue categories. Significant changes were increases of \$1 million from the prior year in property, sales and motor vehicle in lieu taxes. Intergovernmental activity which represents new grant funding and municipal contributions relating to shared capital streets and road improvements has increases of \$2 million in the prior year. There were also significant decreases in total of \$3 million in development fees including building permits, mitigation fees, and development fee agreements. It should be noted that typically grant funding, municipal contributions and development fees are one-time in nature and subject to timing as development occurs within the City of Calimesa. It is notable that one-time revenue sources received in prior years are being offset in current year activity through reoccurring revenue from property, sales and motor vehicle in lieu taxes.

The City's governmental expenditures in fiscal year 2021-22 were \$11 million, an increase of \$1.2 million from fiscal year 2020-21. The overall increase of 12% is comprised of increases in most expenditure categories. The most significant increases include \$475,629 in public safety and \$692,471 in public works. The City increased public safety expenditures with the Fire Department for advanced life support equipment and Police Department law enforcement community engagement for an additional POP officer. The Public Works Department increased activity relating to streets and road improvements primarily paid through the Mitigation Fee special revenue fund.

The following provides an analysis of the City's major funds:

General Fund

The General Fund is the primary operating fund of the City. At June 30, 2022, the General Fund had a total fund balance of \$8,743,201, which consisted of nonspendable fund balance of \$16,364, committed fund balance of \$2,196,706 representing amounts set aside by City Council for emergencies and economic stability (calculated as 30% of annual operating expenditures), committed fund balance for equipment replacement (calculated as 5% of annual operating expenditures) \$366,117, assigned fund balance for insurance of \$127,745, and unassigned fund balance of \$6,036,269.

The net change in fiscal 2021-22 fund balance of the City's General Fund increased by \$1,328,226. Revenues exceeded expenditures by \$1,420,075, while other financing uses of transfers to other funds resulted in a decrease of \$91,849. Revenues decreased by \$71,789 and expenditures increased by \$488,173 from the prior year.

The decrease in revenues of \$71,789, or .8% over prior year was a net effect of increases and decreases throughout all revenue categories. The most significant increases in revenue were approximately, \$1 million increase in taxes and \$331,871 in charges for services. The most significant decreases in revenue over prior year were \$584,603 in licenses and permits, \$356,215 in development fees and \$384,192 of unrealized investment loss of investments.

City of Calimesa
Management's Discussion and Analysis
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FUND FINANCIAL ANALYSIS, Continued

General Fund, continued

The increase in expenditures of \$488,173, or 7% over prior year was due a net effect of increases and decreases in all expenditure categories. The most significant increases in expenditures were \$542,735 for public safety and \$156,257 for general government. Increases in public safety were attributed to the Fire Department for advanced life support equipment and the Police Department law enforcement community engagement for an additional Problem Oriented Policing (POP) officer. Increases in the general government include staff reclassifications for the city clerk and finance departments and a full year of salaries and benefits of staff for the finance department. The most significant decreases in expenditures were approximately \$125,959 in community development and services, \$42,755 for public works, and \$42,105 for parks and recreation. Decreases were attributed to expenditure savings in community development building and safety professional services, timing variances in public works with respect to equipment purchases and landscaping services that are anticipated to be used in fiscal year 2022-23, and for the reduced staffing at the Senior Center.

Measure A - Special Revenue Fund

The Measure A Fund accounts for revenue in the form of voter-approved sales tax to be used for street and road purposes. The net change in fiscal year 2021-22 fund balance of the Measure A Fund increased by \$285,621. Revenue increased by \$59,583 and expenditures decreased by \$640,290 over the prior year. The decrease in expenditures relates to significant streets project that were completed in the prior year. The fund balance that is accumulating is restricted for a citywide pavement management program partially funded by Measure A funds.

Mitigation Fees - Special Revenue Fund

The Mitigation Fee Fund accounts for revenue from development impact fees and grants to be used for facilities including street and traffic, storm drain, parks, library, public safety and general government. These fees are used to mitigate the impacts of new development. Activity in the fund will vary from year to year based upon the timing of development moving forward and capital projects managed within the mitigation fee funds. The revenue in this fund is typically collected prior to the issuance of a building permit for new construction and is subject to timing of developments. The expenditures can vary greatly from year to year as city-initiated projects for infrastructure and equipment purchases are moved forward. The net change in fiscal year 2021-22 fund balance of the Mitigation Fee funds increased by \$34,672. Revenues decreased over prior year by \$426,975 due to variability and timing of development projects. Expenditures increased over prior year by \$1,141,410 due to new street and road improvements and capital projects.

ARPA - Special Revenue Fund

The ARPA Fund accounts for revenues received for the American Rescue Plan act for which monies will be used for various eligible purposes. The total amount received by the City in this fiscal year referred to as the first tranche of funding is \$1,095,633 and funds are reported as unearned revenue as of June 30, 2022. It is anticipated this first tranche of funding will be utilized for the citywide pavement management program in future fiscal years. This the first year ARPA funding and as such there are no comparisons to be provided to the prior year. The total fund balance as of June 30, 2022 is \$1,099,568.

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GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is presented in the Required Supplementary Information. The General Fund budget for fiscal year 2021-22 was increased by \$881,789 for revenue and \$406,225 for expenditures. Budget amendments were a result of changes in actual operating results in revenue categories and in response to services provided throughout the year. Actual revenues were consistent with the final amended budgeted revenues. Actual expenditures for the fiscal year were \$960,738 under the amended budget primarily due to savings across all budgetary categories, however, it should be noted a portion of the savings were a result of the lack of availability of materials and equipment. As such, certain appropriations will “rollover” and be re-budgeted to fiscal year 2022-23.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City’s capital assets include those assets that are used in the performance of the City’s services. At June 30, 2022, the City’s capital assets used in governmental activities amounted to \$22.3 million, net of depreciation.

Capital assets for governmental activities are presented below to illustrate changes from prior fiscal year:

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 1,918,401	\$ 1,918,401
Construction in Progress	7,668,906	5,251,343
Buildings and Improvements	4,478,993	4,258,214
Infrastructure:		
Road Network	13,717,079	13,717,079
Machinery and equipment	<u>1,352,871</u>	<u>1,350,459</u>
Capital assets before depreciation	29,136,250	26,495,496
Less: accumulated depreciation (excludes land)	<u>(6,794,933)</u>	<u>(6,227,776)</u>
Total net capital assets	<u>\$ 22,341,317</u>	<u>\$ 20,267,720</u>

Additional information on capital assets can be found in Note 4 to the Basic Financial Statements.

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Long-term Obligations

At June 30, 2022, the City had long-term debt outstanding of \$572,656 compared to \$570,401 in the prior year. The finance purchase agreement was reduced while the compensated absences obligation increased. This resulted in a net increase of \$2,255. Additional information on long-term obligations is provided in Note 5 to the Basic Financial Statements.

The City’s long-term debt obligations at June 30, 2022 and 2021 were as follows:

	Governmental Activities	
	2022	2021
Compensated absences	\$ 310,178	\$ 268,800
Finance purchase agreement	262,478	301,601
Total	<u>\$ 572,656</u>	<u>\$ 570,401</u>

Not included in the above total outstanding debt amount is the Successor Agency Trust. At June 30, 2022, there was \$2,151,321 bond debt outstanding. Additional information on the Successor Agency Trust is provided in Note 9 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City’s adopted budget for 2022-23 recognized that:

- The City continues to have planned commercial and residential development projects which result in economic and population growth.
- The adopted budget reflects conservative revenue estimates given variable factors in local economic and inflationary projections and the timing of when planned development will move forward.
- The City continues to focus on increasing the tax base, namely, property tax and sales tax, which will be key to sustaining service levels and long-term fiscal stability.
- Development will continue to play a major role in fiscal year 2022-23 in the areas of revenue, infrastructure and staffing levels.
- Based on American Rescue Plan Act funds and use of designated reserve funding, the City budgeted one-time expenditures including over \$2.2 million for a pavement management program.
- The City will be completing several infrastructure and street improvement projects including the County Line corridor improvement plan, City Hall Expansion project and upgrades to the Senior Center and City Facilities to meet ADA compliance standards.
- The adopted fiscal year 2022-23 budget projects an approximate 68% General Fund reserve level at June 30, 2023, which is well above the Council approved policy of 30%.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2022

REQUEST FOR INFORMATION

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Calimesa, Finance Department, 908 Park Avenue, Calimesa, California 92320.

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**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Calimesa
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments (Note 2)	\$ 26,133,590
Receivables:	
Taxes and other	686,704
Interest	52,063
Due from the Successor Agency	64,519
Due from other governments	2,405,865
Prepaid expenses	16,364
Note receivable	1,148,647
Capital assets not being depreciated (Note 4)	9,587,307
Capital assets being depreciated, net (Note 4)	12,754,010
Total Assets	<u>52,849,069</u>
Deferred Outflows of Resources	
Deferred outflow - pension contribution	156,867
Deferred outflow - pension related amounts	117,093
Total Deferred outflows of resources	<u>273,960</u>
Liabilities	
Accounts payable and accrued liabilities	2,381,376
Accrued payroll	76,620
Deposits	2,521,740
Unearned revenue	1,150,054
Noncurrent liabilities:	
Due within one year	95,565
Due in more than one year	477,091
Net pension liability	445,340
Total Liabilities	<u>7,147,786</u>
Deferred Inflows of Resources	
Deferred inflows - pension related amounts	448,904
Total Deferred inflows of resources	<u>448,904</u>
Net Position	
Net investment in capital assets	22,078,839
Restricted:	
Legally restricted - Street and Road Improvements	715,038
Regulatory/grant restrictions	2,494,064
Legally restricted - Dev. Impact fees	12,346,192
Unrestricted	7,892,206
Total Net Position	<u>\$ 45,526,339</u>

See accompanying Notes to Basic Financial Statements.

City of Calimesa
Statement of Activities
For the year ended June 30, 2022

Functions/Programs:	Expenses	Program Revenues			Total	Net (Expense)
		Charges	Operating	Capital		Revenue and
		for	Grants and	Grants and		Changes in
	Services	Contributions	Contributions		Governmental	
					Activities	
					Net Position	
Primary Government:						
Governmental activities:						
General government	\$ 1,660,155	\$ 826,046	\$ -	\$ -	\$ 826,046	\$ (834,109)
Public safety	4,883,140	203,960	-	-	203,960	(4,679,180)
Public works	1,129,070	455,283	456,503	3,057,405	3,969,191	2,840,121
Community services and development	925,353	508,251	165,797	-	674,048	(251,305)
Parks and recreation	200,527	-	-	-	-	(200,527)
Library	23,217	-	36,074	-	36,074	12,857
Total governmental activities	\$ 8,821,462	\$ 1,993,540	\$ 658,374	\$ 3,057,405	\$ 5,709,319	(3,112,143)
General Revenues:						
Taxes:						
Property						3,904,944
Sales tax						1,491,164
Motor vehicle in-lieu						1,312,885
Franchise fees						523,468
Transient occupancy taxes						95,675
Business Licenses						46,853
Total Taxes						7,374,989
Unrestricted investment earnings						93,373
Unrealized loss on investments						(384,192)
Other						73,657
Total general revenues						7,157,827
Change in net position						4,045,684
Net position - beginning of year						41,480,655
Net position - end of year						\$ 45,526,339

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund accounts for resources traditionally associated with governmental which are not required legally or by sound financial management to be accounted for in another fund.

Measure A Special Revenue Fund accounts for revenue in the form of voter-approved Measure A sales tax to be used for street and road improvements.

Mitigation Fees Special Revenue Fund accounts for various sources of development related revenue including facilities fees, traffic fees, and park acquisition, flood drainage control, and improvement fees. These fees are used to expand facilities as development occurs, thus mitigating a portion of the impacts associated with development.

ARPA Special Revenue Fund accounts for one-time revenues received from the federal government for the America Rescue Plan Act (ARPA), for which monies will be used for various eligible projects. ARPA was passed to provide economic relief to municipal governments.

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

City of Calimesa
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
Assets			
Cash and investments	\$ 11,027,424	\$ 639,426	\$ 11,940,005
Receivables:			
Taxes and other	497,506	-	-
Intergovernmental	-	76,100	2,279,031
Interest	52,063	-	-
Loans	-	-	-
Prepaid expenses	16,364	-	-
Due from other funds	158,758	-	-
Due from the Successor Agency	64,519	-	-
Total assets	\$ 11,816,634	\$ 715,526	\$ 14,219,036
Liabilities, Deferred Inflow of Resources, and Fund Balance			
Liabilities:			
Accounts payable	479,738	488	1,872,844
Accrued payroll	76,620	-	-
Unearned revenues	14,376	-	-
Due to other funds	-	-	-
Deposits	2,482,777	-	-
Total liabilities	3,053,511	488	1,872,844
Deferred Inflow of Resources:			
Unavailable revenues	19,922	-	-
Total Deferred inflows of resources	19,922	-	-
Fund Balance:			
Nonspendable	16,364	-	-
Restricted	-	715,038	12,346,192
Committed for:			
Emergencies and economic stabilization	2,196,706	-	-
Equipment replacement	366,117	-	-
Assigned for:			
Capital projects	-	-	-
Insurance	127,745	-	-
Unassigned	6,036,269	-	-
Total fund balance	8,743,201	715,038	12,346,192
Total liabilities, deferred inflow of resources and fund balance	\$ 11,816,634	\$ 715,526	\$ 14,219,036

See accompanying Notes to Basic Financial Statements.

Major Fund ARPA Special Revenue	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,099,568	\$ 1,427,167	\$ 26,133,590
-	189,198	686,704
-	50,734	2,405,865
-	-	52,063
-	1,148,647	1,148,647
-	-	16,364
-	-	158,758
-	-	64,519
<u>\$ 1,099,568</u>	<u>\$ 2,815,746</u>	<u>\$ 30,666,510</u>
-	28,306	2,381,376
-	-	76,620
1,095,633	40,045	1,150,054
-	158,758	158,758
-	38,963	2,521,740
<u>1,095,633</u>	<u>266,072</u>	<u>6,288,548</u>
-	-	19,922
-	-	19,922
-	-	16,364
3,935	2,490,129	15,555,294
-	-	2,196,706
-	-	366,117
-	59,545	59,545
-	-	127,745
-	-	6,036,269
<u>3,935</u>	<u>2,549,674</u>	<u>24,358,040</u>
<u>\$ 1,099,568</u>	<u>\$ 2,815,746</u>	<u>\$ 30,666,510</u>

City of Calimesa

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2022

Total Fund Balance - Governmental Funds	\$	24,358,040
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Amounts reported for governmental activities in the statement of net position (page 21) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	9,587,307
Capital assets being depreciated, net	12,754,010
Total capital assets	<u>22,341,317</u>

Revenues in the statement of activities that do not provide current financial resources are classified as Deferred Inflows of Resources in the funds.

19,922

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.

156,867

In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.

(331,811)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(310,178)
Finance purchase agreement payable	(262,478)
Net pension liability	<u>(445,340)</u>

Net position of governmental activities	\$	<u>45,526,339</u>
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City of Calimesa

Statements of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2022

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
Revenues			
Taxes	\$ 7,333,567	\$ -	\$ -
Licenses and permits	544,310	-	-
Fines and forfeitures	42,675	-	-
Intergovernmental	161,525	300,718	2,030,017
Charges for services	700,370	-	-
Development fees	453,228	-	726,670
Investment earnings	37,593	1,991	45,013
Unrealized loss on investments	(384,192)	-	-
Other	15,908	-	-
Total Revenues	8,904,984	302,709	2,801,700
Expenditures			
Current:			
General government	1,604,307	-	138,826
Public safety	4,624,998	-	9,766
Public works	437,128	17,088	2,553,838
Community services and development	705,994	-	-
Parks and recreation	112,482	-	9,796
Library	-	-	4,453
Debt service:			
Principal	-	-	39,123
Interest and fiscal charges	-	-	11,226
Total Expenditures	7,484,909	17,088	2,767,028
Excess of Revenues Over Expenditures	1,420,075	285,621	34,672
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(91,849)	-	-
Total Other Financing Sources (Uses)	(91,849)	-	-
Net Change in Fund Balance	1,328,226	285,621	34,672
Fund Balance - Beginning of year	7,414,975	429,417	12,311,520
Fund Balance - End of year	\$ 8,743,201	\$ 715,038	\$ 12,346,192

See accompanying Notes to Basic Financial Statements.

Major Fund ARPA Special Revenue	Total Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 104,584	\$ 7,438,151
-	-	544,310
-	-	42,675
-	837,508	3,329,768
-	-	700,370
-	-	1,179,898
3,935	4,841	93,373
-	-	(384,192)
-	16,900	32,808
3,935	963,833	12,977,161
-	-	1,743,133
-	144,867	4,779,631
-	411,834	3,419,888
-	185,155	891,149
-	-	122,278
-	18,764	23,217
-	-	39,123
-	-	11,226
-	760,620	11,029,645
3,935	203,213	1,947,516
-	91,849	91,849
-	-	(91,849)
-	91,849	-
3,935	295,062	1,947,516
-	2,254,612	22,410,524
\$ 3,935	\$ 2,549,674	\$ 24,358,040

City of Calimesa

Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statements of Activities For the Year Ended June 30, 2022

Net change in fund balance - governmental funds \$ 1,947,516

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

Governmental funds reported additions of capital assets as capital outlay and program expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets purchased in the current period. 2,794,104

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. (720,507)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (110,015)

Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position. 156,867

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (20,026)

Issuance of long term debt is reported as other financing sources in the governmental funds and this contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Repayment was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:

Long-term debt repayments 39,123

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. In addition, some expenditures recorded in the governmental funds have already been expensed in the government-wide in prior years. (41,378)

Change in net position of governmental activities \$ 4,045,684

FIDUCIARY FUND FINANCIAL STATEMENTS

Custodial Funds

Custodial Funds account for assets held by the City for unspent special assessments collected for various Community Facility Districts and mitigation fees collected on behalf of Western Riverside County Regional Conservation Authority.

Private Purpose Trust Funds

Successor Agency Trust Fund accounts for assets and liabilities transferred from the City to the Successor Agency Trust Fund.

City of Calimesa
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Custodial Funds	Successor Agency Trust Fund
Assets		
Cash and investments	\$ 3,871,689	\$ -
Cash and investments with fiscal agent - restricted	2,068,710	211,492
Receivables:		
Assessments	20,203	-
Total assets	5,960,602	211,492
Deferred outflows of resources		
Deferred loss on refunding	-	74,389
Total deferred outflows of resources	-	74,389
Liabilities		
Accounts payable and accrued liabilities	24,983	\$ 338
Deposits	20,234	-
Due to City of Calimesa	-	64,519
Noncurrent liabilities:		
Due within one year	-	115,000
Due in more than one year	-	2,036,321
Total liabilities	45,217	2,216,178
Net Position		
Restricted		
Debt service	5,910,949	211,492
Multiple Species Habitat Conservation Plan	4,436	-
Unrestricted	-	(2,141,789)
Net position	\$ 5,915,385	\$ (1,930,297)

See accompanying Notes to Basic Financial Statements.

City of Calimesa
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended June 30, 2022

	Custodial Funds	Successor Agency Trust Fund
Additions		
Special assessments	\$ 2,874,151	\$ -
Redevelopment Property Tax Trust Fund distributions	-	294,646
Investment earnings	12,712	177
Fees collected on behalf of other agencies	133,719	-
Miscellaneous	8,871	-
	<u>3,029,453</u>	<u>294,823</u>
Deductions		
Administration	51,297	97,083
Debt service payments	1,261,204	80,791
Bond funds reimbursements - developer	622,468	-
Professional services and financial services	955,142	-
Disbursement of fees to other agencies	134,139	-
	<u>3,024,250</u>	<u>177,874</u>
Change in Net Position	5,203	116,949
Net Position - beginning	<u>5,910,182</u>	<u>(2,047,246)</u>
Net Position - ending	<u>\$ 5,915,385</u>	<u>\$ (1,930,297)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of Calimesa
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the reporting entity

The City of Calimesa (the City) was incorporated on December 1, 1990, under the laws of the State of California and enjoys all the rights and privileges applicable to the general law city. It is governed by an elected five-member Council and Council-appointed Mayor. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government).

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Measure A Special Revenue Fund* is used to account for revenue in the form of voter-approved Measure A sales tax to be used for street and road improvements.

The *Mitigation Fees Fund* is used to account for various sources of development related revenue including facilities fees, traffic fees, flood drainage control, and park acquisition and improvement fees. These fees are used to expand facilities as development occurs, thus mitigating a portion of the impacts associated with development.

The *ARPA Special Revenue Fund* is used to account for revenue received from the America Rescue Plan Act, to be used for eligible projects.

Additionally, the City reports the following non-major fund types:

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Government-wide and fund financial statements, Continued

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The City's non-major capital projects fund accounts for projects related to the Americans with Disabilities Act (ADA). Other capital project expenditures are recorded directly in either the General Fund or applicable Special Revenue Funds that serve as the funding sources for each capital project.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has two types of fiduciary funds, Custodial Funds that account for monies collected on behalf of other governmental agencies and Community Facilities Districts, and a Private Purpose Trust Fund, which accounts for the activities of the Successor Agency to the City of Calimesa Redevelopment Agency. Fiduciary funds are accounted for using the accrual basis of accounting.

C. Measurement focus, basis of accounting, and financial presentation

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, except for grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are generally considered available if they are collected within 180 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to members, 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 sources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. In addition, fiduciary funds are not included in the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity

Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's 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 date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-backed Securities. The LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

Receivables

During the course of normal operations, the City carries various receivable balances for taxes, interest, services and special assessments. Accounts receivables are shown net of an allowance for doubtful accounts.

Interfund Transactions

Interfund transactions are reflected as loans, reimbursements for services provided or transfers. 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 funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity, Continued

Use of estimates

The financial statements have been prepared in accordance with generally accepted accounting principles accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

Unearned revenues

In the fund financial statements, unearned revenues represent cash advances from various entities that have not been spent; therefore, no revenue has been recognized.

Claims and judgments

Only the short-term liability (if any) is reflected as a current liability in all applicable governmental fund types, the remainder of the liability is reported as long-term debt in the statement of net position. The City determined that no liability needs to be accrued for claims and judgments.

Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure assets) and an estimated useful life in excess of three years. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	25-30
Infrastructure	30-50
Vehicles	3-15
Office equipment	3-7
Computer equipment	3-10

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity, Continued

Pension Plan

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

In addition, the City also sponsors the City of Calimesa Public Agency Retirement System (PARS) defined Contribution Plan for its fire employees. No assets or liabilities are reported for the PARS plan. Additional information about the City's pension plans is included in Note 6.

Employee leave benefits

Compensated absences are the amounts due to employees for future absences which are attributed to services already rendered. Vacation pay is payable to employees at the time a vacation is taken or upon separation of employment. Sick leave is payable when an employee is unable to work because of illness. The vested portion of compensated absences is included as a long-term liability in the statement of net position.

The following are summaries of the City's compensated leave policies:

Compensatory time

With the exception of a few items, compensatory time is usually payable to the employee upon termination at the rate of pay at separation.

Sick leave

Employees accrue sick leave in accordance with schedules set forth in the City's Personnel Rules. All employees with at least six months service are allowed to accrue up to 960 hours of sick leave. Employees are not paid upon separation for accrued sick leave, therefore no liability is accrued in these financial statements for sick leave. The City Manager has no limit on sick or vacation accruals. Upon separation, the City Manager's sick leave is payable at 100%. If retiring, the City Manager can elect conversion to service credit.

Vacation leave

Employees accrue vacation leave in accordance with schedules set forth in the City's Personnel Rules. Employees will be paid upon separation all accrued vacation leave up to a maximum of 240 hours. The City Manager has no limit on vacation accruals.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity, Continued

Property taxes

The County of Riverside, California, bills and collects the property taxes and remits them to the City in installments during the year. The County is permitted by State Law (Proposition 13) to levy taxes at 1 percent per \$100 of full market value (at time of purchase) and can increase the assessed values no more than 2 percent per year. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1
Due Date	November 1, First Installment February 1, Second Installment
Collection	December 10, First Installment April 10, Second Installment

Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Net Position, Continued

Restricted - This category includes amounts restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - This category includes amounts that do not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City’s policy is to apply restricted net position first.

Fund Balances

Nonspendable Fund Balance- That portion of fund balance that includes amounts that are either 1) not in a spendable form; or 2) legally or contractually required to be maintained intact. Amounts considered “not in a spendable form” include items that are not expected to be converted to cash such as prepaid items and long-term notes receivable.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity, Continued

Fund Balances, Continued

Restricted Fund Balance - That portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either 1) externally imposed by creditors, such as through debt covenants, grantors, contributors or the laws and regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. These restrictions may be effectively changed only with the consent of the resource provider.

Committed Fund Balance - That portion of fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council, the City's government's highest level decision making authority. In order for funds to be considered committed, a resolution must be passed by the City Council. The established constraints remain binding until City Council takes action to amend the applicable resolution. The City has a committed amount in the General Fund for emergencies and economic stability, which may only be accessed by majority vote of the City Council. The amount is calculated as thirty (30) percent of the General Fund's annual operating budget, excluding one-time activity. The City also reports a committed amount for equipment replacement that is calculated as five (5) percent of the General Fund's annual operating budget, excluding one-time activity.

Assigned Fund Balance - Represents that portion of fund balance that includes amounts that are constrained by the City's intended use of the resources but are neither restricted nor committed. Such intent needs to be established at the highest level of decision making, or by an official designated for that purpose. The City Council has the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance - Represents that portion of fund balance that includes amounts that are not contained in any of the other fund balance categories. The General Fund is the only governmental fund that may report a positive amount as unassigned fund balance. For all other governmental funds, only negative balances may be reported as unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted funds are available, it is the City's policy to apply the restricted funds first. The City also considers committed funds to be spent first, assigned funds to be spent second and unassigned funds to be spent last when an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

E. New Pronouncements

In 2022, the City adopted new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 87, Leases – The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement did not have an impact on the City’s net position for the year ended June 30, 2022.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objective this statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 92, Omnibus – The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers between primary government and pension or OPEB plans, other pension plan reporting, fiduciary activities relating to postemployment benefit arrangements, asset retirement obligations, reporting for public entity risk pools, fair value measurement, and derivative instruments. The requirements of this statement did not have an impact on the City’s net position for the year ended June 30, 2022.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows.

	Primary Government		Total
	Governmental	Fiduciary	
	Activities	Funds	
Deposits and investments	\$ 26,133,590	\$ 3,871,689	\$ 30,005,279
Cash and investments held with fiscal agent	-	2,280,202	2,280,202
Total cash and investments	\$ 26,133,590	\$ 6,151,891	\$ 32,285,481
Cash on hand		\$ 400	
Deposits with financial institution		547,978	
Total cash on hand and deposits		548,378	
Local Agency Investment funds		29,456,901	
Total investments		29,456,901	
Total City Treasury		30,005,279	
Cash and investments with fiscal agent		2,280,202	
Total cash and investments		\$ 32,285,481	

A. Deposits

The carrying amount of the City's cash deposit was \$547,978 at June 30, 2022. Bank balances before reconciling items were \$1,400,971 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City has not waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

B. Investments

Authorized investments

Under provisions of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies,
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies,
- State of California - Local Agency Investment Fund (LAIF)
- Checking accounts or passbook savings account demand deposits, and money market mutual funds.

The City's investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The table below identifies the *investment types* that are authorized for investments held by the City. The Table also identifies certain provisions of these investments that address *interest risk* and *concentration of credit risk*.

Authorization investment type	Maximum maturity	Maximum Percentage allowed	Maximum investment in one issuer
U.S. Treasur Obligations	5 years	None	None
Local Agency Investment Fund (LAIF)	5 years	None	\$75 million*
Certificates of Deposit	2 years	15%	None
FNMA (Fannie Mae)	5 years	75%	None
GNMA (Ginnie Mae)	5 years	20%	None
FHLMC (Freddie Mac)	5 years	75%	None
Federal Home Loan Bank (FHLB)	5 years	75%	None
Federal Farm Credit Bank (FFCB)	5 years	75%	None
Federal Agricultural Mortgage Corporation (FAMC of Farmer Mac)	5 years	75%	None
Tennessee Valley Authority	5 years	75%	None
Money Market Mutual Funds	5 years	5%	None

*\$75 million limit is maximum deposit limit set by LAIF.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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 bond trustee. The Table also identifies certain provisions of these debt agreements that address interest risk and concentration of credit risk.

Authorization investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	None	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	None	None	None
Repurchase/Investment Agreement	180 days	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (LAIF)	None	None	*\$75 million
FHA Obligations Guaranteed by U.S. Government	None	None	None
Federal Funds	None	None	None
Negotiable Certificate of Deposit	None	None	None
Time Deposits	None	None	None
FDIC Insured Deposits	None	None	None
Debt Obligations	None	None	None

\$75 million limit is maximum deposit limit set by LAIF.

Interest rate risk

The City's investment policy mitigates interest rate risk by:

- (1) Structuring the City's portfolio so that securities mature to meet the City's cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to their maturation to meet those specific needs;
- (2) Investing primarily in short-term securities; and
- (3) Occasionally restructuring the portfolio to minimize the loss of market value and/or to maximize cash flows.

Investment type	Totals	Remaining maturity 12 month or less
Local Agency Investment Fund (LAIF)	\$29,456,901	\$ 29,456,901
Total Investments	\$29,456,901	\$ 29,456,901

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

B. 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 possession of an outside party. The City's investment policy limits its exposure to custodial credit risk.

Credit risk/pooled cash

The City currently follows GASB No. 40 which established the way the city discloses credit, custodial, interest rate and foreign currency risks. Currently, custodial and interest rate risk are minimal. The City does not own any foreign currency. The City's most significant investment, LAIF, does not have a rating provided by a nationally recognized statistical rating agency.

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City currently invests excess monies in the LAIF and checking and savings accounts at local banks. Currently the City mitigates credit risk by:

- (1) Limiting investments to the safest types of securities;
- (2) Pre-qualifying with an established financial institution with which it will do business; and
- (3) Diversifying the investment portfolio so that a failure of any one issuer or backer will not place an undue financial burden on the City.

Investment type	Amount	Minimum legal rating	Rating Not Rated
Local Agency Investment Fund (LAIF)	\$ 29,456,901	N/A	\$ 29,456,901
Total Investments	\$ 29,456,901		\$ 29,456,901

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City's most significant investment, LAIF, does not have a rating provided by a nationally recognized statistical rating agency.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City’s investment with LAIF at June 30, 2022 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations) or credit card receivables.

As of June 30, 2022, the City had \$29,456,901 invested in LAIF, which had invested 1.88% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.31% in the previous year. The remaining 98.12% of the pool investment funds were invested in United States Treasury Bills and Notes (68.02%), Federal Agency Discount Notes (12.82%), Certificates of Deposit (5.67%), Long Term Commercial Paper (4.17%), Federal Agency Debentures (3.99%), and other allowable investments (3.45%).

The LAIF fair value factor of 0.987125414 was used to calculate the fair value of the investments in LAIF, resulting in in the following investment income in all funds:

Interest income	\$ 106,261
Unrealized gain/(loss) in changes in fair value of investments	<u>(384,192)</u>
Total investment income (loss)	<u>\$ (277,931)</u>

3. INTERFUND TRANSACTIONS

A. Interfund Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2022 were as follows:

		Transfers In	
		Non Major Governmental Funds	Total
Transfers Out	Major Fund:		
	General Fund	\$ 91,849	\$ 91,849
	Total	<u>\$ 91,849</u>	<u>\$ 91,849</u>

The transfers which occurred were: Combined \$91,849 from General Fund to Non-Major Governmental Funds to fund Lighting/Landscape District activities and for capital projects.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

3. INTERFUND TRANSACTIONS, Continued

B. Due to/from Other Funds

The General Fund reported due from Non Major Governmental Funds of \$158,758 that represents short term borrowings to be repaid upon receipt of future revenues.

4. CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2022 is as follows:

	Beginning balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,918,401	\$ -	\$ -	\$ 1,918,401
Construction in progress	5,251,343	2,638,342	220,779	7,668,906
Total capital assets not being depreciated	<u>7,169,744</u>	<u>2,638,342</u>	<u>220,779</u>	<u>9,587,307</u>
Capital assets being depreciated:				
Building and improvements	4,258,214	220,779	-	4,478,993
Machinery and equipment	1,350,459	155,762	153,350	1,352,871
Road network	13,717,079	-	-	13,717,079
Total capital assets being depreciated	<u>19,325,752</u>	<u>376,541</u>	<u>153,350</u>	<u>19,548,943</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,264,054)	(122,275)	-	(1,386,329)
Machinery and equipment	(731,198)	(119,525)	(153,350)	(994,073)
Road network	(4,232,524)	(478,707)	-	(4,711,231)
Total accumulated depreciation	<u>(6,227,776)</u>	<u>(720,507)</u>	<u>(153,350)</u>	<u>(6,794,933)</u>
Total capital assets, being depreciated, net	<u>13,097,976</u>	<u>(343,966)</u>	<u>306,700</u>	<u>12,754,010</u>
Governmental activities capital assets, net	<u>\$ 20,267,720</u>	<u>\$ 2,294,376</u>	<u>\$ 527,479</u>	<u>\$ 22,341,317</u>

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

General government	\$ 12,485
Public safety	103,509
Public works	503,286
Community services and development	22,978
Parks and recreation	78,249
Total depreciation expense - governmental activities	<u>\$ 720,507</u>

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

5. LONG-TERM LIABILITIES

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2022:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year	Due in more than one year
Compensated Absences	\$ 268,800	\$ 117,768	\$ 76,390	\$ 310,178	\$ 55,190	\$ 254,988
Finance Purchase Agreement	301,601	-	39,123	262,478	40,375	222,103
Total Long-Term Liabilities	<u>\$ 570,401</u>	<u>\$ 117,768</u>	<u>\$ 115,513</u>	<u>\$ 572,656</u>	<u>\$ 95,565</u>	<u>\$ 477,091</u>

Compensated absences

For the governmental funds, accumulated vacation, and compensatory time payable at June 30, 2022, was \$310,178. These amounts are payable from futures resources and therefore have been recorded as long-term liabilities. These liabilities are generally liquidated by the General Fund.

Finance Purchase Agreement - Fire Truck

On October 16, 2017, the City entered into a finance purchase agreement with the Municipal Finance Corporation to finance the acquisition of a fire engine. The balance will be paid off in 10 annual installment payments and is not considered a lease in accordance with GASB Statement No. 87. Future debt service requirements as of June 30, 2022, were as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 40,375	\$ 8,399	\$ 48,774
2024	41,667	7,107	48,774
2025	43,001	5,773	48,774
2026	44,376	4,398	48,774
2027	45,797	2,977	48,774
2028	47,262	1,512	48,774
Total	<u>\$ 262,478</u>	<u>\$ 30,166</u>	<u>\$ 292,644</u>

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. EMPLOYEE RETIREMENT PLANS

Defined Benefit Plan:

A. *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) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors one rate plan (miscellaneous). Benefit provisions under the Plan are established by State statute and City 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 (www.calpers.ca.gov).

B. *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 are eligible for non-duty disability benefits after 10 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 Employee’s Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous	
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	9.130%	7.590%
Required employer dollar UAL payment (annual)	\$72,863	\$1,770

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are to be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

B. Benefits Provided, Continued

For the measurement period ended June 30, 2021, the employer contributions recognized against net pension liability for the Plan were \$131,048. For the fiscal year ended June 30, 2022, the employer contributions reported as deferred outflows of resources were \$156,867.

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$445,340.

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2020 and 2021 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	0.008860%
Proportion - June 30, 2021	<u>0.008230%</u>
Change - Increase (Decrease)	<u><u>-0.000630%</u></u>

For the year ended June 30, 2022, the City recognized pension expense of \$20,026. The lower pension expense recognized during the year was attributable to a \$3.3 billion investment return on the miscellaneous risk pool during the measurement period that will be reflected as reduction to pension expense over a period of 5 years.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 156,867	\$ -
Changes of assumptions	-	-
Differences between expected and actual experience	49,941	-
Changes in employer's proportion	67,152	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	60,146
Net differences between projected and actual earnings on plan investments	-	388,758
Total	<u>\$ 273,960</u>	<u>\$ 448,904</u>

\$156,867 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	
2023	\$ (67,062)
2024	(72,328)
2025	(84,989)
2026	(107,432)

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

C. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.15%
Mortality	Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Net of pension plan investment and administrative expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period.

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability (Asset)	\$ 1,086,138
Current Discount Rate	7.15%
Net Pension Liability (Asset)	\$ 445,340
1% Increase	8.15%
Net Pension Liability (Asset)	\$ (84,399)

D. Payable to the Pension Plan

At June 30, 2022, the City did not report any outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Contribution Plan:

The City sponsors the City of Calimesa Public Agency Retirement System (PARS) Defined Contribution Plan for its fire employees. An Eligible Employee shall participate in this Plan if he or she is a full-time Fire Safety Employee of the City on or after September 1, 2017. The City contributes 7.5% of employee compensation annually into the Plan. Employees' contributions are optional. Each Participant shall be one hundred percent (100%) vested in his or her Employer Contribution Account at all times. During the fiscal year ended June 30, 2022, the City contributed \$59,010 to the Plan.

7. RISK MANAGEMENT

In July 1996, the City became a member of the Public Agency Risk Sharing Authority of California (PARSAC), a consortium of California cities, established in May 1986 to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. During fiscal year ended June 30, 2022, PARSAC merged with California Intergovernmental Risk Authority (CIRA). The Authority's governing board consists of one appointed official and an alternate from each participating city.

General and auto liability, public officials' errors and omission - The City maintains a self-insurance program for its general and auto liability, and public officials' errors and omission. For liability claims, the City is at risk for up to \$10,000 per occurrence; amounts in excess of \$10,000 up to \$1,000,000 are covered through the California Intergovernmental Risk Authority (CIRA). Amounts in excess of \$1,000,000 up to \$35,000,000 are covered through additional insurance purchased from third parties by CIRA.

Employment practices liability - The City maintains a self-insurance program for its employment practices liability. For liability claims, the City is at risk for up to \$10,000 per occurrence; amounts in excess of \$10,000 up to \$1,000,000 are covered through the Employment Risk Management Authority (ERMA).

Workers' compensation - The City maintains workers' compensation insurance through CIRA. The City is at risk up to \$25,000 per occurrence. Coverage through CIRA is up to \$500,000 per claim. Claims in excess of \$500,000, up to \$5,000,000 are covered by policies purchased by CIRA through third parties.

Property insurance - The City maintains a self-insurance program for its property up to \$5,000. Amounts in excess of \$5,000 up to \$1,000,000 are covered through additional insurance purchased from third parties by CIRA.

Employee dishonesty, theft, fraud - The City maintains employee dishonesty, theft, and fraud insurance through CIRA up to \$2,500. Amounts in excess of \$2,500 up to \$1,000,000 are covered by policies purchased from third parties by CIRA.

8. CONTINGENCIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The City is not involved in any pending lawsuits that may have a material adverse effect on the financial statements of the City.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

9. DISSOLUTION OF REDEVELOPMENT AGENCIES IN CALIFORNIA AND RESULTANT SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011 the California Supreme Court upheld Assembly Bill 1X 26 (AB 1X 26) that provides for the dissolution of all redevelopment agencies in the State of California. Likewise, this action affected the reporting entity of the City of Calimesa in that the former Redevelopment Agency's financial activities and related disclosures were reported within the City's government-wide financial statements (blended component unit) as capital project and debt service funds. Timelines established within AB 1X 26 included the dissolution and cessation of redevelopment agencies as of February 1, 2012.

AB 1X 26 prescribes that either the city or another local government entity must serve as the successor agency to the former redevelopment agency. The role of the successor agency is to hold net assets of the former redevelopment agency until they can be transferred to the state or respective county. On February 6, 2012 the City Council adopted Resolution No. 2012-01 which provided for the low-to-moderate income housing functions (LMI) and related net assets of the former Redevelopment Agency to be assumed by the City Council.

Resolution No. 2012-01 of the Calimesa Successor Agency (CSA) was approved which provided for the City to act as the successor agency to the former Redevelopment Agency. For clarity and ease of financial statement presentation purposes, both the LMI and non-housing financial activities and net position subsequent to January 31, 2012 are reported as fiduciary funds in these basic financial statements.

In future fiscal years, successor agencies will only be allocated revenue by the State and respective county in amounts necessary to pay installment and/or bonded indebtedness annual payments required by listed enforceable obligations of the former redevelopment agencies which are supported by legally enforceable documents, such as bond indentures and related covenants. These payments will occur until such time that the obligations are paid in full.

The following is a summary of the changes in bonds payable in the Successor Agency Trust Fund for the fiscal year ended June 30, 2022:

Description	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds					
2014 Series bonds, Refunding	\$ 2,255,000	\$ -	\$ (110,000)	\$ 2,145,000	\$ 115,000
Deferred amounts					
For issuance premium, relating to 2014 bonds	12,247	-	(5,926)	6,321	-
Total Bonds	\$ 2,267,247	\$ -	\$ (115,926)	\$ 2,151,321	\$ 115,000

2014 Tax Allocation Refunding Revenue Bonds

In May 2014, the Calimesa Successor Agency (City) issued Calimesa Redevelopment Project No. 1 and Project No. 5 Tax Allocation Refunding Revenue Bonds, Series 2014, in the aggregate principal of \$2,925,000.

The bonds are dated May 2014 and are in denominations of \$5,000 and bear interest at rates ranging from 2.00% to 4.00%. Principal is payable annually on December 1 beginning on December 2014.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

9. DISSOLUTION OF REDEVELOPMENT AGENCIES IN CALIFORNIA AND RESULTANT SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY, Continued

Interest is payable semi-annually on June 1 and December 1 commencing on December 1, 2014. The bonds mature between the time frames of December 1, 2014 and December, 2038 in amounts ranging from \$60,000 to \$920,000.

The annual debt service requirements on the 2014 Bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest
2023	\$ 115,000	\$ 78,638
2024	120,000	74,038
2025	125,000	68,038
2026	130,000	64,288
2027	135,000	60,388
2028-2032	725,000	232,793
2033-2037	720,000	89,926
2038-2039	75,000	4,600
Total	<u>\$ 2,145,000</u>	<u>\$ 672,709</u>

2014 Tax Allocation Refunding Revenue Bonds, Continued

The bonds were issued to assist the Agency in the financing of redevelopment activities, to fund the Reserve Subaccounts and to pay certain costs relating to the issuance of the bonds. Per the bond indenture, a reserve is required to be maintained and at June 30, 2022, the amount held in the reserve account was \$211,492 which was fully funded. The bonds are payable from and equally and ratably secured by a first pledge of Revenues consisting primarily of certain property tax revenues to be derived from the Project Areas.

Pledged revenues

The Successor Agency pledged 100% of future tax increment revenue (less amounts payable by or required to be set -aside by the Agency under any pass-through agreements and by the amount required to be set-aside for low and moderate housing as required by the California Health and Safety Code) as security for the bonds. While the pledge was originally considered outstanding for the duration of the debt service requirements, the dissolution of redevelopment agencies pursuant to AB 1X26 has led to the practice of the State of California granting annual payments to successor agencies to make the required bond debt services requirements as well as payments for other obligations listed on each agency’s schedule of enforceable obligations.

10. CONDUIT DEBT

The City has previously issued bonds for various Community Facilities Districts under the public improvement act (Mello-Roos Community Facilities Act of 1982) of the State of California to finance the acquisition and construction of certain public facilities servicing property within the respective district boundaries. The bonds are secured by annual special tax levies or liens placed on the property within the district.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2022

10. CONDUIT DEBT, Continued

The City is not liable for repayment and acts only as an agent for the property owners in collecting the special taxes or assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from special taxes or assessments, specific reserves, and the proceeds from property foreclosures to be levied by the district. The outstanding balance of all conduit debt of the City as of June 30, 2022 was \$27,038,476.

11. AMERICA RESCUE PLAN ACT (ARPA)

The America Rescue Plan Act of 2021 (ARPA) is a \$1.9 trillion economic stimulus bill passed to expedite the recovery from the economic and health effects of the COVID-19 pandemic. As part of ARPA, the City was allocated \$2,191,267 in Coronavirus State and Local Fiscal Recovery Funds. The City has received \$1,095,633 of the allocation (first tranche) as of June 30, 2022, currently reflected as unearned revenues and the remaining amount was received subsequent to the end of the fiscal year. The first tranche is expected to be spent on the citywide pavement management program.

**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Calimesa
Required Supplementary Information
For the year ended June 30, 2022

1. DEFINED BENEFIT PENSION PLAN

Schedule of the City's Proportionate Share of the Net Pension Liability - Last Ten Fiscal Years

Fiscal Year:	2022	2021	2020	2019
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
City's proportion of the net pension liability	0.00823%	0.00886%	0.00839%	0.00789%
City's proportionate share of the net pension liability	\$ 445,340	\$ 963,472	\$ 860,069	\$ 760,407
City's covered payroll (plan year)	\$ 850,713	\$ 929,097	\$ 802,415	\$ 821,901
City's proportionate share of the net pension liability as a percentage of its covered payroll	52.35%	103.70%	107.19%	92.52%
City's fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%

Notes to the schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore there are fewer than 10 years shown.

Benefit changes: In fiscal year 2021-2022 there were no benefit changes.

Changes in assumptions: In fiscal year 2018-2019, the plan's discount rate was unchanged from 7.15%.

In fiscal year 2019-2020, the discount rate was changed to 7.25%. In fiscal year 2020-2021, the discount rate changed to 7.15%

2018	2017	2016	2015
6/30/2017	6/30/2016	6/30/2015	6/30/2014
0.00808%	0.79000%	0.00710%	0.00783%
\$ 801,322	\$ 683,932	\$ 487,286	\$ 487,296
\$ 699,490	\$ 697,838	\$ 835,197	\$ 610,159
114.56%	98.01%	58.34%	79.86%
73.31%	74.06%	78.40%	79.82%

City of Calimesa
Required Supplementary Information
For the year ended June 30, 2022

1. DEFINED BENEFIT PENSION PLAN

Schedule of Pension Contributions - Last Ten Fiscal Years

Fiscal Year	2022	2021	2020	2019
Contractually required contribution	\$ 156,867	\$ 131,048	\$ 122,260	\$ 99,636
Contributions in relation to the contractually required contribution	(156,867)	(131,048)	(122,260)	(99,636)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll (City's fiscal year)	\$ 1,024,657	\$ 850,713	\$ 929,097	\$ 802,415
Contributions as a percentage of covered payroll	15.31%	15.40%	13.16%	12.42%

Notes to the schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore there are fewer than 10 years shown.

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

Valuation date :	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value
Inflation:	2.50%	2.50%	2.63%	2.75%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%	7.375%
Retirement age:	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

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

(3) 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 81,270	\$ 90,337	\$ 82,408	\$ 93,041
(81,270)	(90,337)	(82,408)	(93,041)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 821,901	\$ 699,490	\$ 697,838	\$ 835,197
9.89%	12.91%	11.81%	11.14%

6/30/2015 Entry Age (1)	6/30/2014 Entry Age (1)	6/30/2013 Entry Age (1)	6/30/2012 Entry Age (1)
Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)
7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)

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City of Calimesa

Notes to the Required Supplementary Information, Continued

For the year ended June 30, 2022

2. BUDGETARY INFORMATION

The City Council has the responsibility for adoption of the City's budgets. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

Budgetary comparisons are provided in the accompanying financial statements for all funds with legally adopted budgets. Budget amounts are adopted on a basis consistent with accounting principles accepted in the United States of America.

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 6,280,911	\$ 7,028,833	\$ 7,333,567	\$ 304,734
Licenses & permits	529,901	483,807	544,310	60,503
Fines & forfeitures	31,000	34,000	42,675	8,675
Intergovernmental	2,200	161,137	161,525	388
Charges for services	695,454	699,320	700,370	1,050
Development fees	411,890	426,958	453,228	26,270
Interest income	50,710	21,800	37,593	15,793
Unrealized loss on investments	-	-	(384,192)	(384,192)
Other	30,000	58,000	15,908	(42,092)
Total revenues	8,032,066	8,913,855	8,904,984	(8,871)
EXPENDITURES:				
Current:				
General government	1,544,575	1,800,659	1,604,307	196,352
Public safety	5,005,283	5,065,811	4,624,998	440,813
Public works	548,477	596,390	437,128	159,262
Community development	788,711	823,711	705,994	117,717
Parks and recreation	152,376	159,076	112,482	46,594
Total expenditures	8,039,422	8,445,647	7,484,909	960,738
REVENUES OVER EXPENDITURES	(7,356)	468,208	1,420,075	\$ 951,867
OTHER FINANCING SOURCES (USES):				
Transfers out	(90,000)	(91,849)	(91,849)	-
Total other financing sources (uses)	(90,000)	(91,849)	(91,849)	-
Net change in fund balance	\$ (97,356)	\$ 376,359	1,328,226	\$ 951,867
FUND BALANCE:				
Beginning of year			7,414,975	
End of year			\$ 8,743,201	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure A Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 192,000	\$ 246,000	\$ 300,718	\$ 54,718
Investment earnings	5,000	1,000	1,991	991
Total revenues	197,000	247,000	302,709	55,709
EXPENDITURES:				
Current:				
Public works	209,760	534,760	17,088	517,672
Total expenditures	209,760	534,760	17,088	517,672
REVENUES OVER (UNDER) EXPENDITURES	(12,760)	(287,760)	285,621	573,381
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (12,760)	\$ (287,760)	285,621	\$ 573,381
FUND BALANCE:				
Beginning of year			429,417	
End of year			\$ 715,038	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Mitigation Fees Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,000,000	\$ 19,775,973	\$ 2,030,017	\$ (17,745,956)
Development fees	221,620	2,583,454	726,670	(1,856,784)
Investment earnings	63,500	28,500	45,013	16,513
Total revenues	2,285,120	22,387,927	2,801,700	(19,586,227)
EXPENDITURES:				
Current:				
General government	354,280	548,089	138,826	409,263
Public safety	9,766	9,766	9,766	-
Public works	2,234,392	25,061,804	2,553,838	22,507,966
Parks and recreation	6,135	10,135	9,796	339
Library	54,280	9,280	4,453	4,827
Debt service:				
Principal	39,123	39,123	39,123	-
Interest and fiscal charges	10,851	10,251	11,226	(975)
Total expenditures	2,708,827	25,688,448	2,767,028	22,921,420
REVENUES OVER (UNDER) EXPENDITURES	(423,707)	(3,300,521)	34,672	3,335,193
OTHER FINANCING SOURCES (USES):				
Transfers in	200,000	499,705	-	(499,705)
Total other financing sources (uses)	200,000	499,705	-	(499,705)
Net change in fund balance	\$ (223,707)	\$ (2,800,816)	34,672	\$ 2,835,488
FUND BALANCE:				
Beginning of year			12,311,520	
End of year			<u>\$ 12,346,192</u>	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

ARPA Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ -	\$ 2,500	\$ 3,935	\$ 1,435
Total revenues	-	2,500	3,935	1,435
Net change in fund balance	\$ -	\$ 2,500	3,935	\$ 1,435
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 3,935	

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SUPPLEMENTARY INFORMATION

City of Calimesa
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2022

	Special Revenues Funds				
	Supplemental			Transportation	
	Law	Housing	Library	Air Quality	Gas Tax
	Enforcement	Rehab-State		Improvements	
	Grant				
Assets					
Cash and investments	\$ 88,332	\$ 192,259	\$ 386,409	\$ 40,197	\$ -
Receivables:					
Accounts	-	-	-	-	-
Intergovernmental	-	-	-	3,367	47,367
Loans	-	774,357	-	-	-
Total assets	\$ 88,332	\$ 966,616	\$ 386,409	\$ 43,564	\$ 47,367
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities:					
Accounts payable and accrued liabilities	\$ 11,322	\$ 925	\$ 1,942	\$ -	\$ 7,428
Unearned revenues	-	-	40,045	-	-
Due to other funds	-	-	-	-	7,326
Deposits	-	-	38,963	-	-
Total liabilities	11,322	925	80,950	-	14,754
Deferred Inflow of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balance:					
Restricted	77,010	965,691	305,459	43,564	32,613
Assigned	-	-	-	-	-
Total fund balance	77,010	965,691	305,459	43,564	32,613
Total liabilities, deferred inflows of resources, and fund balance	\$ 88,332	\$ 966,616	\$ 386,409	\$ 43,564	\$ 47,367

Special Revenues Funds					Capital Projects	Total Nonmajor Governmental Funds
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	Planning Grants	General Capital Projects Fund	
\$ 50,311	\$ 15,057	\$ 61,971	\$ 532,468	\$ -	\$ 60,163	\$ 1,427,167
1,073	-	-	36,693	151,432	-	189,198
-	-	-	-	-	-	50,734
-	-	374,290	-	-	-	1,148,647
<u>\$ 51,384</u>	<u>\$ 15,057</u>	<u>\$ 436,261</u>	<u>\$ 569,161</u>	<u>\$ 151,432</u>	<u>\$ 60,163</u>	<u>\$ 2,815,746</u>
\$ 5,746	\$ -	\$ 325	\$ -	\$ -	\$ 618	\$ 28,306
-	-	-	-	-	-	40,045
-	-	-	-	151,432	-	158,758
-	-	-	-	-	-	38,963
<u>5,746</u>	<u>-</u>	<u>325</u>	<u>-</u>	<u>151,432</u>	<u>618</u>	<u>266,072</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
45,638	15,057	435,936	569,161	-	-	2,490,129
-	-	-	-	-	59,545	59,545
<u>45,638</u>	<u>15,057</u>	<u>435,936</u>	<u>569,161</u>	<u>-</u>	<u>59,545</u>	<u>2,549,674</u>
\$ 51,384	\$ 15,057	\$ 436,261	\$ 569,161	\$ 151,432	\$ 60,163	\$ 2,815,746

City of Calimesa

Combining Statements of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2022

	Special Revenues Funds				
	Supplemental Law Enforcement Grant	Housing Rehab-State	Library	Transportation Air Quality Improvements	Gas Tax
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	161,285	389	36,074	12,849	248,325
Investment earnings	312	692	1,377	133	33
Other	-	-	-	-	-
Total Revenues	161,597	1,081	37,451	12,982	248,358
Expenditures					
Current:					
Public safety	144,867	-	-	-	-
Public works	-	3,900	-	-	239,043
Community services and development	-	-	-	2,458	-
Library	-	-	18,764	-	-
Total Expenditures	144,867	3,900	18,764	2,458	239,043
Excess (Deficit) of Revenues Over Expenditures	16,730	(2,819)	18,687	10,524	9,315
Other Financing Sources (Uses)					
Transfers in (Note 4)	-	-	-	1,849	-
Total Other Financing Sources (Uses)	-	-	-	1,849	-
Net Change in Fund Balance	16,730	(2,819)	18,687	12,373	9,315
Fund Balance - Beginning of year	60,280	968,510	286,772	31,191	23,298
Fund Balance - End of year	\$ 77,010	\$ 965,691	\$ 305,459	\$ 43,564	\$ 32,613

Special Revenues Funds						Capital Projects	Total Nonmajor Governmental Funds
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	Planning Grants	General Capital Projects Fund		
\$ 104,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,584
-	5,000	-	207,789	165,797	-	-	837,508
86	50	222	1,720	-	216	-	4,841
-	-	-	-	16,900	-	-	16,900
104,670	5,050	222	209,509	182,697	216	-	963,833
-	-	-	-	-	-	-	144,867
155,628	6,940	325	-	-	5,998	-	411,834
-	-	-	-	182,697	-	-	185,155
-	-	-	-	-	-	-	18,764
155,628	6,940	325	-	182,697	5,998	-	760,620
(50,958)	(1,890)	(103)	209,509	-	(5,782)	-	203,213
85,000	-	-	-	-	5,000	-	91,849
85,000	-	-	-	-	5,000	-	91,849
34,042	(1,890)	(103)	209,509	-	(782)	-	295,062
11,596	16,947	436,039	359,652	-	60,327	-	2,254,612
\$ 45,638	\$ 15,057	\$ 435,936	\$ 569,161	\$ -	\$ 59,545	\$ -	\$ 2,549,674

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Law Enforcement Grant Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 148,500	\$ 161,285	\$ 161,285	\$ -
Investment earnings	350	185	312	127
Total revenues	148,850	161,470	161,597	127
EXPENDITURES:				
Current:				
Public safety	167,295	161,295	144,867	16,428
Total expenditures	167,295	161,295	144,867	16,428
Net change in fund balance	\$ (18,445)	\$ 175	16,730	\$ 16,555
FUND BALANCE:				
Beginning of year			60,280	
End of year			\$ 77,010	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Rehab - State

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 3,500	\$ 3,500	\$ 389	\$ (3,111)
Investment earnings	500	500	692	192
Total revenues	4,000	4,000	1,081	(2,919)
EXPENDITURES:				
Current:				
Public works	-	3,500	3,900	(400)
Total expenditures	-	3,500	3,900	(400)
Net change in fund balance	\$ 4,000	\$ 500	(2,819)	\$ (3,319)
FUND BALANCE:				
Beginning of year			968,510	
End of year			<u>\$ 965,691</u>	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Library Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 36,820	\$ 36,074	\$ 36,074	\$ -
Charges for services	1,000	1,000	-	(1,000)
Investment earnings	2,600	860	1,377	517
Other	1,000	1,000	-	(1,000)
Total revenues	41,420	38,934	37,451	(1,483)
EXPENDITURES:				
Current:				
Library	32,375	32,375	18,764	13,611
Total expenditures	32,375	32,375	18,764	13,611
Net change in fund balance	\$ 9,045	\$ 6,559	18,687	\$ 12,128
FUND BALANCE:				
Beginning of year			286,772	
End of year			\$ 305,459	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Transportation Air Quality Improvement Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 11,700	\$ 12,100	\$ 12,849	\$ 749
Charges for services	-	-	-	-
Investment earnings	140	70	133	63
Total revenues	11,840	12,170	12,982	812
EXPENDITURES:				
Current:				
Community development	1,070	2,458	2,458	-
Total expenditures	1,070	2,458	2,458	-
REVENUES OVER (UNDER) EXPENDITURES	10,770	9,712	10,524	812
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,849	1,849	-
Total other financing sources (uses)	-	1,849	1,849	-
Net change in fund balance	\$ 10,770	\$ 11,561	12,373	\$ 812
FUND BALANCE:				
Beginning of year			31,191	
End of year			\$ 43,564	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 237,396	\$ 272,841	\$ 248,325	\$ (24,516)
Investment earnings	200	65	33	(32)
Total revenues	237,596	272,906	248,358	(24,548)
EXPENDITURES:				
Current:				
Public works	247,367	258,262	239,043	19,219
Total expenditures	247,367	258,262	239,043	19,219
Net change in fund balance	\$ (9,771)	\$ 14,644	9,315	\$ (5,329)
FUND BALANCE:				
Beginning of year			23,298	
End of year			\$ 32,613	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Lighting/Landscape District Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 95,000	\$ 95,000	\$ 104,584	\$ 9,584
Investment earnings	100	-	86	86
Total revenues	95,100	95,000	104,670	9,670
EXPENDITURES:				
Current:				
Public works	175,191	184,391	155,628	28,763
Total expenditures	175,191	184,391	155,628	28,763
REVENUES OVER (UNDER) EXPENDITURES	(80,091)	(89,391)	(50,958)	38,433
OTHER FINANCING SOURCES (USES):				
Transfers in	85,000	85,000	85,000	-
Total other financing sources (uses)	85,000	85,000	85,000	-
Net change in fund balance	\$ 4,909	\$ (4,391)	34,042	\$ 38,433
FUND BALANCE:				
Beginning of year			11,596	
End of year			\$ 45,638	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Recycling Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Investment earnings	75	30	50	20
Total revenues	5,075	5,030	5,050	20
EXPENDITURES:				
Current:				
Public works	-	7,200	6,940	260
Total expenditures	-	7,200	6,940	260
Net change in fund balance	\$ 5,075	\$ (2,170)	(1,890)	\$ 280
FUND BALANCE:				
Beginning of year			\$ 16,947	
End of year			<u>15,057</u>	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Rehab - Federal

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 222	\$ 222
Total revenues	-	-	222	222
EXPENDITURES:				
Current:				
Public works	-	-	325	(325)
Total expenditures	-	-	325	(325)
Net change in fund balance	\$ -	\$ -	(103)	\$ (103)
FUND BALANCE:				
Beginning of year			436,039	
End of year			<u>\$ 435,936</u>	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Road Maintenance and Rehab Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 179,063	\$ 212,013	\$ 207,789	\$ (4,224)
Investment earnings	1,000	900	1,720	820
Total revenues	180,063	212,913	209,509	(3,404)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	180,063	212,913	209,509	(3,404)
OTHER FINANCING SOURCES (USES):				
Transfers out	(200,000)	(499,705)	-	499,705
Total other financing sources (uses)	(200,000)	(499,705)	-	499,705
Net change in fund balance	\$ (19,937)	\$ (286,792)	209,509	\$ 496,301
FUND BALANCE:				
Beginning of year			359,652	
End of year			<u>\$ 569,161</u>	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Planning Grants Special Revenue Fund

For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 186,392	\$ 165,797	\$ (20,595)
Other		16,900	16,900	-
Total revenues	-	203,292	182,697	(20,595)
EXPENDITURES:				
Current:				
Community services and development	-	203,292	182,697	20,595
Total expenditures	-	203,292	182,697	20,595
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

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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

The Honorable Mayor and Members of the City Council
of the City of Calimesa
Calimesa, California

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the City of Calimesa, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Calimesa, California's basic financial statements, and have issued our report thereon dated November 22, 2022.

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

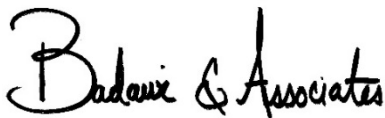
The Honorable Mayor and Members of the City Council
of the City of Calimesa
Calimesa, California
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Report on Compliance and Other Matters

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 financial statements. 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs
Berkeley, California
November 22, 2022