

*City of Calimesa*  
Calimesa, California

***Annual Audit Report and  
Financial Statements***

***For the year ended June 30, 2024***

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# City of Calimesa

## Annual Audit Report and Financial Statements For the Year Ended June 30, 2024

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## *Independent Auditor's Report*

### **PARTNERS**

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### **MANAGERS / STAFF**

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### **MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants



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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Calimesa (the City), as of and for the year ended June 30, 2024, 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 referred to above 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 entity, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***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 (*Government Auditing Standards*). 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***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

### ***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, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2024 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 9, 2024

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# *City of Calimesa*

## **Management Discussion and Analysis For the Year Ended June 30, 2024**

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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, 2024. 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, 2024, the City assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$63.5 million. Approximately 60% 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 \$7.2 million.
- At June 30, 2024, the City's governmental funds reported combined ending fund balance of \$26.2 million, an increase of approximately \$1.6 million compared to prior fiscal year.
- At June 30, 2024, the City's general fund reported ending fund balance of \$9.4 million, a decrease of approximately \$358,000 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.

**Management Discussion and Analysis  
For the Year Ended June 30, 2024**

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**OVERVIEW OF THE FINANCIAL STATEMENTS, Continued**

***Government-Wide Financial Statements, Continued***

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.

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, parks and senior center, community services and development, 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 16 governmental funds. The major governmental funds are the General Fund, Mitigation Fees Fund, Capital Projects Including American Rescue Plan Act (ARPA) Capital Projects Fund and the Traffic Improvement Fees 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.

**OVERVIEW OF THE FINANCIAL STATEMENTS, Continued**

***Government-Wide Financial Statements, Continued***

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 Community Facility 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) and mitigation fees collected on behalf of the Western Riverside County Regional Conservation Authority and a private purpose trust fund to account for the activity of the Successor Agency to the City.

***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 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.

# City of Calimesa

## Management Discussion and Analysis For the Year Ended June 30, 2024

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table shows the condensed comparative Statement of Net Position for the fiscal years ended June 30, 2024 and 2023.

#### Comparative Statements of Net Position June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Assets:		
Cash and investments	\$ 26,893,310	\$ 24,010,182
Other assets	4,467,328	7,593,804
Capital assets, net	39,537,288	32,781,702
Total Assets	<u>70,897,926</u>	<u>64,385,688</u>
Deferred Outflows of Resources:		
Deferred outflow - pension related	640,994	655,670
Total Deferred Outflows of Resources	<u>640,994</u>	<u>655,670</u>
Liabilities:		
Other liabilities	5,210,413	7,061,695
Long-term liabilities	2,840,481	1,691,696
Total Liabilities	<u>8,050,894</u>	<u>8,753,391</u>
Deferred Inflows of Resources:		
Deferred inflow - pension related amounts	30,340	63,557
Total Deferred Inflows of Resources	<u>30,340</u>	<u>63,557</u>
Net Position:		
Net Investment in Capital Assets	38,255,473	32,474,109
Restricted	16,741,233	14,729,179
Unrestricted	8,460,980	9,021,122
Total Net Position	<u>\$ 63,457,686</u>	<u>\$ 56,224,410</u>

**Management Discussion and Analysis  
For the Year Ended June 30, 2024**

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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 \$63 million. This is an increase of \$7 million or 13% 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, \$38 million, or 60%, is net 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 \$1.3 million with relation to capital assets.

Another portion of the City's Net Position, \$16.7 million, or 26%, 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 \$8.5 million, or 13%, 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 \$2.9 million from the prior year.

# City of Calimesa

## Management Discussion and Analysis For the Year Ended June 30, 2024

### 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, 2024 and 2023.

Comparative Statements of Activities and Changes in Net Position  
For the years ended June 30, 2024 and 2023

	Governmental Activities	
	2024	2023
Revenues:		
Program revenues:		
Charges for services	\$ 1,193,168	\$ 1,814,613
Operating grants and contributions	2,042,107	1,775,554
Capital grants and contributions	6,190,905	14,327,951
Total program revenues	9,426,180	17,918,118
General revenues:		
Taxes:		
General property taxes	4,671,922	4,510,964
Sales tax	1,677,534	1,630,565
Motor vehicle in-lieu	1,555,252	1,465,476
Franchise fees	600,897	577,334
Transient occupancy tax	58,549	77,853
Business Licenses	47,090	42,663
Unrestricted investment earnings	960,773	974,126
Unrealized loss on investments	316,186	(415,341)
Other	44,063	34,008
Total general revenues	9,932,266	8,897,648
Total Revenues	19,358,446	26,815,766
Expenses:		
General government	2,232,306	3,787,958
Public safety	5,924,033	5,244,572
Public works, parks and senior center	3,277,504	5,757,854
Community development	622,716	1,041,731
Library	34,133	32,890
Interest on long-term liabilities	34,478	11,532
Total Expenses	12,125,170	15,876,537
Increase in net position	7,233,276	10,939,229
Net position - beginning of year, as previously reported	56,224,410	45,413,832
Adjustment - correction of an error	-	(128,651)
Net position - beginning of year, as restated	56,224,410	45,285,181
Net position - ending	\$ 63,457,686	\$ 56,224,410

**Management Discussion and Analysis  
For the Year Ended June 30, 2024**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, (Continued)**

The City's expenses totaled \$12.1 million in fiscal year 2023-24. These expenses were funded by program revenues of \$9.4 million and general revenues of \$9.9 million. This resulted in an increase in Net Position of \$7.2 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 \$621,000 due to a decrease in development related activity including reduction in revenues for building permits. Operating Grants and Contributions increased by \$266,000 due to a larger distribution from the Public Services Community Facilities District Fund. Capital grants and contributions decreased by \$8 million due to a reduction from prior year of \$8.2 million of contributed infrastructure capital from development. Overall, program revenues decreased by \$8.5 million.

**General Revenues** – The overall increase from the prior year is approximately \$1 million or 12%. Significant increases include \$160,000 or 4% in property taxes, \$90,000 or 6% in motor vehicle-lieu taxes, \$47,000 or 3% increase in sales taxes and \$718,000 in investment earnings of which includes unrealized gains from the prior year.

**Expenses** – The overall decrease from the prior year is approximately \$3.7 million or a 24% decrease. Significant decreases include \$1.6 million in general government and \$2.5 million in public works, parks and senior center and \$419,000 in Community Development with a net increase of \$680,000 in public safety.

**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, 2024, the City's combined governmental fund balances were \$26.2 million, an increase of \$1.6 million, or 7%, over the prior fiscal year. Of this amount, approximately \$16.8 million represents nonspendable and restricted fund balance, \$3.1 million represents committed fund balance, and \$160,000 represents assigned fund balance. The balance represents unassigned fund balance of \$6.1 million.

**Management Discussion and Analysis  
For the Year Ended June 30, 2024**

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**FUND FINANCIAL ANALYSIS, (Continued)**

The City's governmental revenues in fiscal year 2023-24 were \$19.4 million, which is a decrease of \$7.4 million from the prior year. Significant variations include a reduction from the prior year contributed infrastructure capital of \$8.2 million which was offset by unrealized gain activity of approximately \$718,000. It should be noted both variations are based on technical accounting principles and relate to one-time activity. The City had other variances in several other revenue categories however, the net impact was minimal.

The City's governmental expenditures in fiscal year 2023-24 were \$18.8 million, a decrease of \$7.8 million from fiscal year 2022-23. Significant variations include a reduction from the prior year of \$8.2 million for contributed infrastructure capital, as well as a reduction in activity of \$2.9 million capital street improvement projects and the building of the City Hall expansion, overall reductions in General Government of \$137,000 and Community Development of \$450,000 from the prior year. The reductions were offset by public safety increases of \$3.9 million which includes the placed into service Fire Department Ladder Truck, Monarch Pumper and Command Vehicles

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, 2024, the General Fund had a total fund balance of \$9.4 million which consisted of nonspendable fund balance of \$62,000, committed fund balance of \$3.1 million representing amounts set aside by City Council for emergencies and economic stability, calculated as 30% of annual operating expenditures and committed fund balance for equipment replacement, calculated as 5% of annual operating expenditures, assigned fund balance for insurance of \$127,000, and unassigned fund balance of \$6.1 million.

The net change in the fiscal year 2023-24 fund balance of the City's General Fund decreased by \$357,000. Revenues exceeded expenditures by \$35,000, while other financing sources and uses of resulted in a net decrease of \$393,000. Revenues decreased by \$6.4 million and expenditures decreased by \$4.4 million from the prior year.

The decrease in revenues of \$6.4 million over prior year was a result of increases in most revenue categories with two offsetting decreases. The increase in categories include \$300,000 in taxes, \$234,000 intergovernmental revenue, \$269,000 charges for services. \$1.3 in developer fees, investment earnings of \$427,000 over prior year. The decreases related to contributed infrastructure capital of \$8.2 million and a reduction in license and permit revenues of \$758,000.

**Management Discussion and Analysis  
For the Year Ended June 30, 2024**

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**FUND FINANCIAL ANALYSIS, (Continued)**

**General Fund, (Continued)**

The decrease in expenditures of \$4.4 million is a result of development contributed infrastructure capital of \$8.2 million reduction from prior year, with a reduction in community development of \$400,000 for a total of \$8.6 in reductions. The \$4.2 million increases relate to General Government increases of \$231,000 and \$4 million in public safety which includes the Fire Department Ladder Truck, Monarch Pumper and Command Vehicles.

**Mitigation Fees – Special Revenue Fund**

The Mitigation Fee Fund accounts for revenue from development impact fees and grants to be used for facilities including 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 activity for Mitigation Fees for Traffic Improvements fees (see below) has been segregated out from the total Mitigation fees fund as this fund primarily reports significant capital projects for streets and interchange improvements. Overall, remaining Mitigation Fees resulted in an increase in fund balance of \$109,000 with a total fund balance of \$10.5 million. The most significant activity in the fund was in relation to the storm drain flood control fund with \$3 million in revenue from intergovernmental agency and \$3 million in related expenditures to acquire right of way land.

**Capital Projects Including ARPA – Capital Projects Fund**

The Capital Projects Including ARPA Fund accounts for revenues received for the American Rescue Plan act for which monies will be used for various eligible purposes and other funded projects for the City that are primarily funded through the general fund contributions or other special revenue funds for specific purpose to projects. The total amount of ARPA revenue for fiscal year 2023-24 is \$566,000 with a remaining balance of \$350,532 reported as unearned revenue as of June 30, 2024. It is anticipated the balance of ARPA funding will be utilized for the citywide pavement management program with funds obligated for this purpose as of December 31, 2024. The total fund balance as of June 30, 2024, is \$1.8 million.

**Traffic Improvement Fees – Capital Projects Fund**

The Traffic Improvement Fees – Capital Projects Fund accounts for funding from Mitigation Fee Revenue as well as most other sources of intergovernmental agency revenue, grants revenue and developer contribution and expenditures as they relate to capital projects for significant interchange improvements, major street improvements and streets maintenance. This fund had previously been combined with Mitigation Fees – Special Revenue reporting, however due to the significant nature of the activity in the fund, it was determined to report this as a major fund. Total fund balance as of June 30, 2024 is \$878,000.

# City of Calimesa

## Management Discussion and Analysis For the Year Ended June 30, 2024

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### FUND FINANCIAL ANALYSIS, (Continued)

#### 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 2023-24 was increased by \$1.8 million for revenue and \$3.8 million for expenditures. Budget amendments were a result of changes in actual results in revenue categories and in response to services provided throughout the year. Actual revenues had variances of \$875,000 and actual expenditures have variances of \$810,000. It should be noted the City Council approved as a part of the annual budget process, certain appropriations budgeted for in fiscal year 2023-24 may be re-budgeted to fiscal year 2024-25.

#### 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, 2024, the City's capital assets used in governmental activities amounted to \$39.5 million, net of depreciation.

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

	Governmental Activities	
	2024	2023
Land	\$ 5,609,531	\$ 2,553,184
Construction in Progress	8,859,247	7,971,218
Buildings and Improvements	5,288,504	5,113,086
Infrastructure:		
Road Network	23,119,665	23,119,665
Machinery and equipment	5,247,852	1,363,169
Right-to-use assets - equipment	113,918	113,918
Right-to-use assets - subscriptions	106,469	-
Capital assets before depreciation	48,345,186	40,234,240
Less: accumulated depreciation (excludes land)	(8,807,898)	(7,452,538)
Total net capital assets	\$ 39,537,288	\$ 32,781,702

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

##### *Long-term Obligations*

At June 30, 2024, the City had long-term debt outstanding of \$1.5 million. Additional information on long-term obligations is provided in Note 5 to the Basic Financial Statements.

# City of Calimesa

## Management Discussion and Analysis For the Year Ended June 30, 2024

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### CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)

#### Long-term Obligations (Continued)

The City's long-term debt obligations at June 30, 2024 and 2023 were as follows:

	Governmental Activities	
	2024	2023
Compensated absences	\$ 263,070	\$ 193,070
Finance purchase agreements	1,106,238	222,103
Lease liabilities	58,282	85,490
Subscription liabilities	98,171	-
Total	<u>\$ 1,525,761</u>	<u>\$ 500,663</u>

Not included in the above total outstanding debt amount is the Successor Agency Trust. At June 30, 2024, there was \$1.92 million 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 2024-25 recognized that:

- The adopted budget reflects cautious and moderate revenue estimates given variable factors in local economic and inflationary projections and anticipated timing of planned development.
- The City continues to focus opportunity to increase revenues through growth of property and sales tax resources which will be key to sustaining service levels and long-term fiscal stability as well as seeking out grants available from other agencies to support park improvements, traffic projects, fund public safety, and recycling measures.
- The City will have progress in several infrastructure and street improvement projects including the County Line corridor improvement plan, traffic interchange projects, and park improvements.
- The adopted fiscal year 2024-25 budget projected an approximate 78% General Fund reserve level at June 30, 2024, which is above the Council approved policy of 35%.

**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.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT WIDE FINANCIALS**

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# City of Calimesa

## Statement of Net Position June 30, 2024

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	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 26,893,310
Receivables:	
Taxes and other	556,126
Intergovernmental	1,041,663
Interest	354,001
Loans	856,398
Retentions	1,498,333
Prepaid expenses	62,105
Due from the Successor Agency	98,702
Capital assets not being depreciated	14,468,778
Capital assets being depreciated, net	25,068,510
Total Assets	<u>70,897,926</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pension related	640,994
Total Deferred Outflows of Resources	<u>640,994</u>
<b>Liabilities</b>	
Accounts payable	2,053,994
Retentions payable	419,065
Accrued payroll	131,469
Unearned revenue	1,889,394
Deposits	697,367
Interest payable	19,124
Noncurrent liabilities:	
Due within one year	259,657
Due in more than one year	1,266,104
Net pension liability	1,314,720
Total Liabilities	<u>8,050,894</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pension related	30,340
Total Deferred Inflows of Resources	<u>30,340</u>
<b>Net Position</b>	
Net investment in capital assets	38,255,473
Restricted:	
Legally restricted - Street and Road Improvements	1,056,500
Regulatory/grant restrictions	5,128,409
Legally restricted - Development Impact fees	10,556,324
Unrestricted	8,460,980
Total Net Position	<u>\$ 63,457,686</u>

The accompanying notes are an integral part of these 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.

**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.

**Capital Projects including ARPA Capital Projects Fund** accounts for the City of Calimesa's major capital projects and accounts for one-time revenues received from the federal government for the American Rescue Plan Act (ARPA), for which monies will be used for various eligible projects. ARPA was passed to provide economic relief to municipal governments.

**Traffic Improvement Fees Capital Projects Fund** accounts for funding from Mitigation Fee Revenue as well as most other sources of intergovernmental agency revenue, grants revenue and developer contribution and expenditures as they relate to capital projects for significant interchange improvements, major street improvements and street maintenance. This fund had previously been combined with Mitigation Fees – Special Revenue reporting, however due to the significant nature of the activity in the fund, it was determined to report this as a separate fund.

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

# City of Calimesa

## Balance Sheet Governmental Funds June 30, 2024

	Major Funds				Total Nonmajor Governmental Funds	Total Governmental Funds
	General	Mitigation Fees	Capital Projects Including ARPA	Traffic Improvement Fees		
<b>ASSETS</b>						
Cash and investments	\$ 9,893,300	\$ 10,614,654	\$ 2,913,610	\$ 902,976	\$ 2,568,770	\$ 26,893,310
Receivables:						
Taxes and other	503,089	-	-	-	53,037	556,126
Intergovernmental	-	172,135	-	626,337	243,191	1,041,663
Interest	354,001	-	-	-	-	354,001
Loans	-	-	-	-	856,398	856,398
Retentions	-	-	-	1,498,333	-	1,498,333
Prepaid expenses	62,105	-	-	-	-	62,105
Due from other funds	80,506	-	-	-	-	80,506
Due from the Successor Agency	98,702	-	-	-	-	98,702
<b>Total Assets</b>	<b>\$ 10,991,703</b>	<b>\$ 10,786,789</b>	<b>\$ 2,913,610</b>	<b>\$ 3,027,646</b>	<b>\$ 3,721,396</b>	<b>\$ 31,441,144</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	\$ 941,725	\$ 230,465	\$ 620,130	\$ 209,955	\$ 51,719	\$ 2,053,994
Retentions payable	-	-	107,152	310,050	1,863	419,065
Accrued payroll	131,469	-	-	-	-	131,469
Unearned revenues	21,326	-	350,532	1,473,690	43,846	1,889,394
Due to other funds	-	-	-	-	80,506	80,506
Deposits	502,404	-	-	156,000	38,963	697,367
<b>Total Liabilities</b>	<b>1,596,924</b>	<b>230,465</b>	<b>1,077,814</b>	<b>2,149,695</b>	<b>216,897</b>	<b>5,271,795</b>
Deferred Inflows of Resources:						
Unavailable revenues	1,500	-	-	-	-	1,500
<b>Total Deferred Inflows of Resources</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500</b>
<b>FUND BALANCES</b>						
Nonspendable	62,105	-	-	-	-	62,105
Restricted	-	10,556,324	1,835,796	877,951	3,471,162	16,741,233
Committed for:						
Emergencies and economic stabilization	2,632,926	-	-	-	-	2,632,926
Equipment replacement	438,821	-	-	-	-	438,821
Assigned for:						
Capital projects	-	-	-	-	33,337	33,337
Insurance	127,484	-	-	-	-	127,484
Unassigned	6,131,943	-	-	-	-	6,131,943
<b>Total Fund Balance</b>	<b>9,393,279</b>	<b>10,556,324</b>	<b>1,835,796</b>	<b>877,951</b>	<b>3,504,499</b>	<b>26,167,849</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 10,991,703</b>	<b>\$ 10,786,789</b>	<b>\$ 2,913,610</b>	<b>\$ 3,027,646</b>	<b>\$ 3,721,396</b>	<b>\$ 31,441,144</b>

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

# City of Calimesa

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2024

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**Fund balance of governmental funds** \$ 26,167,849

Amounts reported for governmental activities in the statement of net position (page 16) 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	\$ 14,468,778	
Capital assets being depreciated, net	<u>25,068,510</u>	39,537,288

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

1,500

Deferred outflows of resources related to pensions have not been reported in governmental funds.

640,994

Deferred inflows of resources related to pensions have not been reported in governmental funds.

(30,340)

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

Compensated absences	(263,070)	
Interest payable	(19,124)	
Finance purchase agreement - fire engine	(180,436)	
Finance purchase agreement - pumper	(925,802)	
Lease liabilities	(58,282)	
Subscription liabilities	(98,171)	
Net pension liability	<u>(1,314,720)</u>	<u>(2,859,605)</u>

Net position of governmental activities

\$ 63,457,686

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

# City of Calimesa

## Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2024

	Major Funds				Total Nonmajor Governmental Funds	Total Governmental Funds
	General	Mitigation Fees	Capital Projects Including ARPA	Traffic Improvement Fees		
<b>REVENUES</b>						
Taxes	\$ 8,461,042	\$ -	\$ -	\$ -	\$ 105,863	\$ 8,566,905
Licenses and permits	218,247	-	-	-	-	218,247
Fines and forfeitures	106,373	-	-	-	-	106,373
Intergovernmental	353,110	3,012,476	566,924	852,428	1,294,918	6,079,856
Charges for services	1,016,892	-	-	8,400	-	1,025,292
Development fees	1,917,225	-	-	141,381	-	2,058,606
Investment earnings	324,324	430,651	80,834	23,894	101,068	960,771
Unrealized loss on investments	316,186	-	-	-	-	316,186
Other	28,268	-	-	-	-	28,268
<b>Total Revenues</b>	<b>12,741,667</b>	<b>3,443,127</b>	<b>647,758</b>	<b>1,026,103</b>	<b>1,501,849</b>	<b>19,360,504</b>
<b>EXPENDITURES</b>						
Current:						
General government	2,375,493	5,984	-	-	53,199	2,434,676
Public safety	9,012,513	11,368	-	-	155,713	9,179,594
Public works, parks and senior center	734,690	3,370,096	698,189	990,658	680,207	6,473,840
Community services and development	583,125	-	-	-	1,270	584,395
Library	-	5,184	-	-	28,949	34,133
Debt service:						
Principal	-	41,667	-	-	-	41,667
Interest and fiscal charges	-	15,354	-	-	-	15,354
<b>Total Expenditures</b>	<b>12,705,821</b>	<b>3,449,653</b>	<b>698,189</b>	<b>990,658</b>	<b>919,338</b>	<b>18,763,659</b>
Excess of Revenues Over Expenditures	35,846	(6,526)	(50,431)	35,445	582,511	596,845
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	161,000	1,220,000	310,000	90,000	1,781,000
Transfers out	(1,426,000)	(45,000)	-	-	(310,000)	(1,781,000)
Issuance of debt	925,802	-	-	-	-	925,802
Subscription acquisition	106,469	-	-	-	-	106,469
<b>Total Other Financing Sources (Uses)</b>	<b>(393,729)</b>	<b>116,000</b>	<b>1,220,000</b>	<b>310,000</b>	<b>(220,000)</b>	<b>1,032,271</b>
<b>Net Change in Fund Balances</b>	<b>(357,883)</b>	<b>109,474</b>	<b>1,169,569</b>	<b>345,445</b>	<b>362,511</b>	<b>1,629,116</b>
Fund Balances, Beginning of year, as previously stated	9,751,162	10,979,356	666,227	-	3,270,639	24,667,384
Restatement	-	(532,506)	-	532,506	(128,651)	(128,651)
Fund Balances, Beginning of year, as restated	9,751,162	10,446,850	666,227	532,506	3,141,988	24,538,733
<b>Fund Balances, End of year</b>	<b>\$ 9,393,279</b>	<b>\$ 10,556,324</b>	<b>\$ 1,835,796</b>	<b>\$ 877,951</b>	<b>\$ 3,504,499</b>	<b>\$ 26,167,849</b>

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

# City of Calimesa

## Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities For the Year Ended June 30, 2024

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Net change in fund balances - governmental funds	\$ 1,629,116
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.	8,135,444
Depreciation and amortization 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 and amortization expense was not reported as expenditures in the Governmental Funds.	(1,379,858)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,058)
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.	195,785
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds.	(300,931)
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	77,173
Issuance of debt	(925,802)
Subscription acquisition	(106,469)
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.	<u>(89,124)</u>
Change in net position of governmental activities	<u>\$ 7,233,276</u>

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

## 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, 2024

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	Custodial Funds	Successor Agency Trust Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and investments	\$ 4,863,177	\$ 305
Cash and investments with fiscal agent - restricted	2,110,044	229,956
Receivables:		
Assessments	10,944	-
	<u>                    </u>	<u>                    </u>
Total Assets	6,984,165	230,261
	<u>                    </u>	<u>                    </u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	-	65,634
	<u>                    </u>	<u>                    </u>
Total Deferred Outflows of Resources	-	65,634
	<u>                    </u>	<u>                    </u>
<b>LIABILITIES</b>		
Accounts payable	46,646	-
Deposits	20,234	-
Unearned revenue	-	6,000
Interest payable	-	39,689
Due to City of Calimesa	-	98,702
Noncurrent liabilities:		
Due within one year	-	125,000
Due in more than one year	-	1,790,556
	<u>                    </u>	<u>                    </u>
Total Liabilities	66,880	2,059,947
	<u>                    </u>	<u>                    </u>
<b>NET POSITION</b>		
Restricted		
Debt service	6,912,849	229,956
Multiple Species Habitat Conservation Plan	4,436	-
Unrestricted (Deficit)	-	(1,994,008)
	<u>                    </u>	<u>                    </u>
Total Net Position (Deficit)	\$ 6,917,285	\$ (1,764,052)
	<u>                    </u>	<u>                    </u>

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

# City of Calimesa

## Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended June 30, 2024

	Custodial Funds	Successor Agency Trust Fund
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
Special assessments	\$ 3,081,974	\$ -
Redevelopment Property Tax Trust Fund distributions	-	209,070
Investment earnings	260,443	11,889
Fees collected on behalf of other agencies	3,723	-
Miscellaneous	82,624	-
	<u>                    </u>	<u>                    </u>
Total Additions	3,428,764	220,959
	<u>                    </u>	<u>                    </u>
<b>DEDUCTIONS</b>		
Administration	71,843	10,650
Debt service payments	1,338,245	73,043
Professional services and financial services	1,532,554	-
Disbursement of fees to other agencies	3,730	-
	<u>                    </u>	<u>                    </u>
Total Deductions	2,946,372	83,693
	<u>                    </u>	<u>                    </u>
Change in Net Position	482,392	137,266
Net Position (Deficit), Beginning	6,434,893	(1,901,318)
	<u>                    </u>	<u>                    </u>
Net Position (Deficit), Ending	\$ 6,917,285	\$ (1,764,052)
	<u>                    </u>	<u>                    </u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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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 *Mitigation Fees Fund* is used to account for various sources of development related revenue including Fire, Library, Law Enforcement and Administration facility fees, traffic improvement, flood control and drainage fees, 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. Capital projects are also included in these expenditures.

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

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B) Government-wide and Fund Financial Statements, (Continued)

The *Traffic Improvement Fees Capital Projects Fund* is used to accounts for funding from Mitigation Fee Revenue as well as most other sources of intergovernmental agency revenue, grants revenue and developer contribution and expenditures as they relate to capital projects for significant interchange improvements, major street improvements and street maintenance. This fund had previously been combined with Mitigation Fees – Special Revenue reporting, however due to the significant nature of the activity in the fund, it was determined to report this as a separate fund.

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.

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.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C) Measurement Focus, Basis of Accounting, and Financial Presentation, (Continued)

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.

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.

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### D) Assets, Liabilities and Net Position or Equity, (Continued)

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. There were no allowance for doubtful accounts for fiscal year 2023-24.

#### 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).

#### 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.

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### D) Assets, Liabilities and Net Position or Equity, (Continued)

##### 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:

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

##### 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.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D) Assets, Liabilities and Net Position or Equity, (Continued)

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 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.

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.

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

#### D) Assets, Liabilities and Net Position or Equity, (Continued)

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. As of June 30, 2024, net investment in capital assets consisted of \$39,537,288 of capital assets, net of depreciation less \$1,281,815 of long-term debt and accrued interest, for a total of \$38,255,473.

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.

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.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D) Assets, Liabilities and Net Position or Equity, (Continued)

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.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D) Assets, Liabilities and Net Position or Equity (Continued)

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.

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 assets 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 assets 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 2024, the City adopted new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

*GASB Statement No. 100 – Accounting Changes and Error Corrections:* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

	Government Activities	Fiduciary Fund	Total
Cash and investments	\$ 26,893,310	\$ 4,863,482	\$ 31,756,792
Cash and investments with fiscal agent	-	2,340,000	2,340,000
<b>Total cash and investments</b>	<b>\$ 26,893,310</b>	<b>\$ 7,203,482</b>	<b>\$ 34,096,792</b>

  

Cash on hand	\$ 400
Deposits with financial institution	1,440,087
Local Agency Investment Funds	26,816,305
Certificates of Deposit	3,500,000
Cash and investments with fiscal agent	2,340,000
<b>Total cash and investments</b>	<b>\$ 34,096,792</b>

#### A) Deposits

The carrying amount of the City's cash deposit was \$1,440,087 at June 30, 2024. Bank balances before reconciling items were \$1,471,498 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 For the Year Ended June 30, 2024

### 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 types of investments as listed in the table below.

The City's investment policy is to apply the prudent-person rule: Investments shall be made with the care, skill, prudence, and diligence under circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal of capital and maintain the liquidity needs of the City. 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. Treasury Obligations	5 years	None	None
Local Agency Investment Fund (LAIF) Collateralized and/or FDIC-Insured	5 years	None	\$75 million*
Demand Deposits	5 years	None	None
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.

##### *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.

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

### 2) CASH AND INVESTMENTS, (Continued)

#### B) Investments, (Continued)

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	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)	\$ 26,816,305	\$ 26,816,305
Certificates of Deposit	3,500,000	3,500,000
<b>Total Investments</b>	<b>\$ 30,316,305</b>	<b>\$ 30,316,305</b>

# *City of Calimesa*

## **Notes to Basic Financial Statements For the Year Ended June 30, 2024**

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### 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.

##### *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.

##### *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, 2024 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

### 2) CASH AND INVESTMENTS, (Continued)

#### B) Investments, (Continued)

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, 2024, the City had \$26,816,305 invested in LAIF, which had invested 1.40% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.46% in the previous year. The remaining 98.60% of the pool investment funds were invested in United States Treasury Bills and Notes (59.76%), Federal Agency Discount Notes (14.73%), Certificates of Deposit (8.40%), Long Term Commercial Paper (5.68%), Federal Agency Debentures (7.73%), and other allowable investments (3.70%).

The LAIF fair value factor of 0.9963316042 was used to calculate the fair value of the investments in LAIF, resulting in the following investment income in all funds:

Interest income	\$ 960,771
Unrealized gain/(loss) in changes in fair value of investments	<u>316,186</u>
Total investment income (loss)	<u><u>\$ 1,276,957</u></u>

### 3) INTERFUND TRANSACTIONS

#### A) Interfund Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2024 were as follows:

		<u>Transfers In</u>				<u>Total</u>
		<u>Mitigation Fees</u>	<u>Capital Projects Including ARPA</u>	<u>Traffic Improvement Fees</u>	<u>Non Major Governmental Funds</u>	
<b>Transfers Out</b>	<b>Major Fund:</b>					
	General Fund	\$ 161,000	\$ 1,175,000	\$ -	\$ 90,000	\$ 1,426,000
	Mitigation Fees	-	45,000	-	-	45,000
	Nonmajor Governmental Funds	-	-	310,000	-	310,000
	Total	<u>\$ 161,000</u>	<u>\$ 1,220,000</u>	<u>\$ 310,000</u>	<u>\$ 90,000</u>	<u>\$ 1,781,000</u>

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

### 3) INTERFUND TRANSACTIONS, (Continued)

#### A) Interfund Transfers, (Continued)

The transfers which occurred were: Combined \$90,000 from General Fund to Nonmajor Governmental Funds, \$1,220,000 from the General Fund and Mitigations fees fund to the Capital Projects Including ARPA Fund, \$161,000 from the General Fund to the Mitigation Fees Fund and \$310,000 from the Nonmajor Governmental Funds to the Traffic Improvement Fees Fund. The transfers were to fund for capital projects.

#### B) Due to/from Other Funds

The General Fund reported due from Nonmajor Governmental Funds of \$80,506 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, 2024 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,553,184	\$ 3,056,347	\$ -	\$ 5,609,531
Construction in progress	7,971,218	888,029	-	8,859,247
Total capital assets not being depreciated	<u>10,524,402</u>	<u>3,944,376</u>	<u>-</u>	<u>14,468,778</u>
Capital assets being depreciated/amortized:				
Building and improvements	5,113,086	175,418	-	5,288,504
Machinery and equipment	1,363,169	3,909,181	24,498	5,247,852
Road network	23,119,665	-	-	23,119,665
Right-to-use assets - equipment	113,918	-	-	113,918
Right-to-use assets - subscription	-	106,469	-	106,469
Total capital assets being depreciated/amortized	<u>29,709,838</u>	<u>4,191,068</u>	<u>24,498</u>	<u>33,876,408</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,515,863)	(143,429)	-	(1,659,292)
Machinery and equipment	(714,521)	(381,052)	(24,498)	(1,071,075)
Road network	(5,194,394)	(792,127)	-	(5,986,521)
Right-to-use assets - equipment	(27,760)	(27,760)	-	(55,520)
Right-to-use assets - subscription	-	(35,490)	-	(35,490)
Total accumulated depreciation/amortization	<u>(7,452,538)</u>	<u>(1,379,858)</u>	<u>(24,498)</u>	<u>(8,807,898)</u>
Total capital assets, being depreciated, net	<u>22,257,300</u>	<u>2,811,210</u>	<u>-</u>	<u>25,068,510</u>
Governmental activities capital assets, net	<u>\$ 32,781,702</u>	<u>\$ 6,755,586</u>	<u>\$ -</u>	<u>\$ 39,537,288</u>

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

General government	\$ 58,733
Public safety	386,343
Public works, parks and senior center	906,696
Community services and development	28,086
Total depreciation expense - governmental activities	<u>\$ 1,379,858</u>

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

### 5) LONG-TERM LIABILITIES

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2024:

Description	Beginning Balance	Additions	Deletions	Balance Ending	Due Within One Year	Due in More Than One Year
Compensated Absences	\$ 193,070	\$ 133,117	\$ 63,117	\$ 263,070	\$ 52,614	\$ 210,456
Finance Purchase Agreement - Fire Engine	222,103	-	41,667	180,436	43,000	137,436
Finance Purchase Agreement - Pumper	-	925,802	-	925,802	91,203	834,599
Lease liabilities	85,490	-	27,208	58,282	28,176	30,106
Subscription liabilities	-	106,469	8,298	98,171	44,664	53,507
Total Long-Term Liabilities	<u>\$ 500,663</u>	<u>\$ 1,165,388</u>	<u>\$ 140,290</u>	<u>\$ 1,525,761</u>	<u>\$ 259,657</u>	<u>\$ 1,266,104</u>

#### *Compensated absences*

For the governmental funds, accumulated vacation, and compensatory time payable at June 30, 2024, was \$263,070. 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, 2024, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 43,000	\$ 5,773	\$ 48,773
2026	44,376	4,398	48,774
2027	45,797	2,977	48,774
2028	47,263	1,512	48,775
Total	<u>\$ 180,436</u>	<u>\$ 14,660</u>	<u>\$ 195,096</u>

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 5) LONG-TERM LIABILITIES, (Continued)

#### *Finance Purchase Agreement – Pumper*

On January 10, 2024, the City entered into a finance purchase agreement with Community First National Bank to finance the acquisition of a pumper. 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, 2024, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 91,203	\$ 29,767	\$ 120,970
2026	73,614	47,355	120,969
2027	77,791	43,178	120,969
2028	82,205	38,764	120,969
2029	86,869	34,100	120,969
2030-2034	514,120	90,730	604,850
Total	<u>\$ 925,802</u>	<u>\$ 283,894</u>	<u>\$ 1,209,696</u>

#### *Lease liabilities*

The City entered into various leases as Lessee for the use of equipment for 60 months. Initial lease liability was recorded in the amount of \$111,764. As of June 30, 2024, the value of the lease liabilities are \$58,282. The City is required to make monthly payments ranging from \$606-\$1,874. The leases have an interest rate of 1.09%. The equipment's estimated useful lives are 60 months as of the contract commencement. The value of the right to use asset as of June 30, 2024 was \$113,918 with accumulated amortization of \$55,520.

Future payments on the total lease liabilities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 28,176	\$ 1,579	\$ 29,755
2026	29,178	577	29,755
2027	928	2	930
Total	<u>\$ 58,282</u>	<u>\$ 2,158</u>	<u>\$ 60,440</u>

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 5) LONG-TERM LIABILITIES, (Continued)

#### *Subscription liabilities*

The City entered a subscription agreement as Lessee for the use of the software for 27 months. Initial lease liability was recorded in the amount of \$106,469. As of June 30, 2024, the value of the subscription liability is \$98,171. The City is required to make annual payments ranging from \$11,618-\$48,797. The agreements have an interest rate of 3.5%. The subscription's estimated useful life is 27 months as of the contract commencement. The value of the right to use asset as of June 30, 2024 was \$106,469 with accumulated amortization of \$35,490.

Future payments on the total lease liabilities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	\$ 44,664	\$ 1,809	\$ 46,473
2026	53,507	165	53,672
Total	<u>\$ 98,171</u>	<u>\$ 1,974</u>	<u>\$ 100,145</u>

### 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 or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City participates in two rate plans (two miscellaneous). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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6) EMPLOYEE RETIREMENT PLANS, (Continued)

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 disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

The Plan's provisions and benefits in effect at June 30, 2024 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	7.00%	7.75%
Required employer contribution rates	10.66%	7.68%
Required employer dollar UAL payment (annual)	\$79,147	\$0

C) Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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6) EMPLOYEE RETIREMENT PLANS, (Continued)

C) Contributions, (Continued)

Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2024 were \$195,785. The actual employer payments of \$193,807 made to CalPERS by the City during the measurement period ended June 30, 2023 differed from the City's proportionate share of the employer's contributions of \$174,025 by \$19,782, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

D) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	6.90%
Mortality Rate Table <sup>(1)</sup>	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, 2.30% thereafter.

<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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6) EMPLOYEE RETIREMENT PLANS, (Continued)

D) Net Pension Liability, (Continued)

**Long-term Expected Rate of Return**

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

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

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

Asset Class	Assumed Asset Allocation	Real Return <sup>1,2</sup>
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

<sup>1</sup> An expected inflation of 2.30% used for this period

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study

**Change of Assumptions**

There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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6) EMPLOYEE RETIREMENT PLANS, (Continued)

D) Net Pension Liability, (Continued)

**Discount Rate**

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

**Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**Pension Plan Fiduciary Net Position**

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

E) Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
	Proportionate Share of Total Pension Liability	Proportionate Share of Fiduciary Net Position	Proportionate Share of Net Pension Liability
Balance at: 6/30/2022 (VD)	\$ 5,152,266	\$ 3,961,233	\$ 1,191,033
Balance at: 6/30/2023 (MD)	5,500,859	4,186,139	1,314,720
Net changes during 2022-23	<u>\$ 348,593</u>	<u>\$ 224,906</u>	<u>\$ 123,687</u>

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

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

### 6) EMPLOYEE RETIREMENT PLANS, (Continued)

#### E) Proportionate Share of Net Pension Liability, (Continued)

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's proportionate share of the net pension liability for the miscellaneous Plan as of the June 30, 2022 and 2023 measurement dates was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2022	0.025450%
Proportion - June 30, 2023	<u>0.026290%</u>
Change - Increase (Decrease)	<u>0.000840%</u>

#### F) Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>Discount Rate - 1%</u> <u>(5.9%)</u>	<u>Current Discount</u> <u>Rate (6.9%)</u>	<u>Discount Rate + 1%</u> <u>(7.9%)</u>
Plan's Net Pension Liability/(Asset)	\$ 2,058,688	\$ 1,314,720	\$ 702,371

#### G) Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 6) EMPLOYEE RETIREMENT PLANS, (Continued)

#### G) Amortization of Deferred Outflows and Deferred Inflows of Resources, (Continued)

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

The EARSL for PERF C for the measurement period ending June 30, 2023 is 3.8 years, which was obtained by dividing the total service years of 600,538 (the sum of remaining service lifetimes of the active employees) by 160,073 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

#### H) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2022), the City's net pension liability was \$1,191,033. For the measurement period ending June 30, 2023 (the measurement date), the City incurred a pension expense/(income) of \$300,929.

As of June 30, 2024, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 195,785	\$ -
Changes of assumptions	79,376	-
Differences between expected and actual experience	56,744	-
Changes in employer's proportion	81,648	-
Differences between the employer's contribution and the employer's proportionate share of contributions	14,576	30,340
Differences between projected and actual earnings on plan investments	212,865	-
	<u>212,865</u>	<u>-</u>
Total	<u>\$ 640,994</u>	<u>\$ 30,340</u>

The amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense. Contributions subsequent to the measurement date of \$195,785 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 6) EMPLOYEE RETIREMENT PLANS, (Continued)

#### H) Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (Continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/ Inflows of Resources
2025	\$ 140,059
2026	97,701
2027	171,001
2028	6,108

#### I) Payable to the Pension Plan

At June 30, 2024, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

#### 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, 2024, the City contributed \$85,093 to the Plan.

**Notes to Basic Financial Statements  
For the Year Ended June 30, 2024**

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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 Redwood Empire Municipal Fund (REMF) and became 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 For the Year Ended June 30, 2024

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### 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, 2024:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds					
2014 Series bonds, Refunding	\$ 2,030,000	\$ -	\$ (120,000)	\$ 1,910,000	\$ 125,000
Deferred amounts For issuance premium, relating to 2014 bonds	5,926	-	(370)	5,556	-
Total Bonds	<u>\$ 2,035,926</u>	<u>\$ -</u>	<u>\$ (120,370)</u>	<u>\$ 1,915,556</u>	<u>\$ 125,000</u>

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

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### 9) DISSOLUTION OF REDEVELOPMENT AGENCIES IN CLIFORNIA AND RESULTANT SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY, (Continued)

#### *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.

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
2025	\$ 125,000	\$ 68,038
2026	130,000	64,288
2027	135,000	60,388
2028	135,000	56,169
2029	140,000	51,950
2030-2034	780,000	180,001
2035-2039	465,000	39,200
Total	<u>\$ 1,910,000</u>	<u>\$ 520,034</u>

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, 2024, the amount held in the reserve account was \$229,506 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.

# City of Calimesa

## Notes to Basic Financial Statements For the Year Ended June 30, 2024

### 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.

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, 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, 2024 is as follows:

Issue Name	Amounts of Issue	Outstanding June 30, 2024
CFD 2012-1 Series 2014 IA1	\$ 2,855,000	\$ 2,645,000
CFD 2013-1 Series 2015 IA1	1,565,000	1,460,000
CFD 2013-1 Series 2016 IA2	1,530,000	1,415,000
CFD 2012-1 Series 2017 IA2	4,205,000	3,980,000
CFD 2018-1 Series 2020 IA1	14,325,000	14,050,000
CFD 2013-1 Series 2020 IA3	3,038,476	3,009,481

### 11) PRIOR PERIOD RESTATEMENTS

As a result of the implementation of GASB 100, as described in Note 1, the City is required to restate its June 30, 2023 governmental funds' fund balance. The Traffic Improvement Fees Fund was previously reported within the Mitigation Fees Fund and has now been separated due to the nature of the funding and more transparent reporting. This qualifies as a change to or within the financial reporting entity, under the guidance of GASB 100. The corrections to the Housing Rehab – State, Housing Refund – Federal and Governmental Activities are related to the incorrect recording of fees for loans that should not have been recorded at inception.

Changes to governmental fund balances are as follows:

	Governmental Activities	Mitigation Fees	Traffic Improvement Fees	Housing Rehab - State	Housing Rehab - Federal
Fund balance, as previously reported	\$ 56,353,061	\$ 10,979,356	\$ -	\$ 966,935	\$ 378,147
Correction of an error	(128,651)	-	-	(70,323)	(58,328)
Change to reporting entity	-	(532,506)	532,506	-	-
Fund balance, as restated	<u>\$ 56,224,410</u>	<u>\$ 10,446,850</u>	<u>\$ 532,506</u>	<u>\$ 896,612</u>	<u>\$ 319,819</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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# City of Calimesa

## Required Supplementary Information Schedule of Changes in the Net Pension Liability and Related Ratios – Last 10 Years For the Year Ended June 30, 2024

Measurement Date	Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
June 30, 2014	0.00783%	\$ 487,296	\$ 610,159	79.86%	79.82%
June 30, 2015	0.00710%	487,286	835,197	58.34%	78.40%
June 30, 2016	0.00790%	683,932	697,838	98.01%	74.06%
June 30, 2017	0.00808%	801,322	699,490	114.56%	73.31%
June 30, 2018	0.00789%	760,407	821,901	92.52%	75.26%
June 30, 2019	0.00839%	860,069	802,415	107.19%	75.26%
June 30, 2020	0.00886%	963,472	929,097	103.70%	75.10%
June 30, 2021	0.00823%	445,340	850,713	52.35%	88.29%
June 30, 2022	0.01031%	1,191,033	1,024,657	116.24%	76.88%
June 30, 2023	0.01054%	1,314,720	1,327,901	99.01%	76.10%

**Notes to the schedule:**

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

**Required Supplementary Information  
Schedule of Pension Contributions – Last 10 Years  
For the Year Ended June 30, 2024**

Fiscal Year	Actuarially Determined	Contribution in Relation to	Contribution Deficiency	Covered Payroll	Contributions as a
	Contribution	the Actuarially Determined	(Excess)		Percentage of Covered
June 30, 2015	\$ 93,041	\$ (93,041)	\$ -	\$ 835,197	11.14%
June 30, 2016	82,408	(82,408)	-	697,838	11.81%
June 30, 2017	90,337	(90,337)	-	699,490	12.91%
June 30, 2018	81,270	(81,270)	-	821,901	9.89%
June 30, 2019	99,636	(99,636)	-	802,415	12.42%
June 30, 2020	122,260	(122,260)	-	929,097	13.16%
June 30, 2021	131,048	(131,048)	-	850,713	15.40%
June 30, 2022	156,867	(156,867)	-	1,024,657	15.31%
June 30, 2023	193,807	(193,807)	-	1,327,901	14.59%
June 30, 2024	195,785	(195,785)	-	1,336,909	14.64%

**Notes to the schedule:**

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

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

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

Valuation date :	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation:	2.30%	2.30%	2.30%	2.50%	2.50%
Salary increases:	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	6.90%	6.90%	7.15%	7.00%	7.00%
Retirement age:	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)
Valuation date :	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation:	2.63%	2.75%	2.75%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.25%	7.375%	7.50%	7.50%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)
Valuation date :	6/30/2012				
Actuarial cost method:	Entry Age				
Amortization method:	(1)				
Assets valuation method:	15 Year Smoothed Market Method				
Inflation:	2.75%				
Salary increases:	(2)				
Investment rate of return:	7.50%				
Retirement age:	(3)				
Mortality:	(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 PEPPRA 2% @62

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

**Notes to the Required Supplementary Information  
For the Year Ended June 30, 2024**

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**(1) 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.

**(2) EXPENDITURES IN EXCESS OF APPROPRIATIONS**

There were no expenditures in excess of appropriations in the current year.

*City of Calimesa*

**Schedule of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 8,056,600	\$ 8,319,800	\$ 8,461,042	\$ 141,242
Licenses and permits	594,850	242,090	218,247	(23,843)
Fines and forfeitures	30,000	37,000	106,373	69,373
Intergovernmental	64,000	77,840	353,110	275,270
Charges for services	1,022,950	1,024,150	1,016,892	(7,258)
Development fees	274,200	1,929,266	1,917,225	(12,041)
Investment earnings	51,100	201,100	324,324	123,224
Unrealized loss on investments	-	-	316,186	316,186
Other	15,000	35,016	28,268	(6,748)
Total revenues	10,108,700	11,866,262	12,741,667	875,405
<b>EXPENDITURES</b>				
Current:				
General government	2,312,118	2,698,681	2,375,493	323,188
Public safety	5,728,723	9,327,621	9,012,513	315,108
Public works, parks and senior center	731,268	810,939	734,690	76,249
Community services and development	884,490	679,398	583,125	96,273
Total expenditures	9,656,599	13,516,639	12,705,821	810,818
<b>REVENUES OVER EXPENDITURES</b>	452,101	(1,650,377)	35,846	1,686,223
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	943,900	943,900	-	(943,900)
Transfers out	(2,208,900)	(2,369,900)	(1,426,000)	943,900
Issuance of debt	-	925,802	925,802	-
Subscription acquisition	-	106,469	106,469	-
Total other financing sources (uses)	(1,265,000)	(393,729)	(393,729)	-
Net change in fund balance	\$ (812,899)	\$ (2,044,106)	(357,883)	\$ 1,686,223
<b>FUND BALANCE</b>				
Beginning of year			9,751,162	
End of year			\$ 9,393,279	

*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, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 183,550	\$ 7,404,188	\$ 3,012,476	\$ (4,391,712)
Development fees	778,871	778,871	-	(778,871)
Investment earnings	85,175	85,175	430,651	345,476
Total revenues	<u>1,047,596</u>	<u>8,268,234</u>	<u>3,443,127</u>	<u>(4,825,107)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,984	5,984	5,984	-
Public safety	11,368	11,368	11,368	-
Public works	3,413,918	13,143,394	3,370,096	9,773,298
Library	5,184	5,184	5,184	-
Debt service:				
Principal	41,667	41,667	41,667	-
Interest and fiscal charges	8,700	15,000	15,354	(354)
Total expenditures	<u>3,486,821</u>	<u>13,222,597</u>	<u>3,449,653</u>	<u>9,772,944</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>(2,439,225)</u>	<u>(4,954,363)</u>	<u>(6,526)</u>	<u>4,947,837</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	161,000	161,000	-
Transfers out	-	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>-</u>	<u>116,000</u>	<u>116,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (2,439,225)</u>	<u>\$ (4,838,363)</u>	<u>109,474</u>	<u>\$ 4,947,837</u>
<b>FUND BALANCE</b>				
Beginning of year, as previously reported			10,979,356	
Restatement - Change in reporting entity			<u>(532,506)</u>	
Beginning of year, as restated			<u>10,446,850</u>	
End of year			<u>\$ 10,556,324</u>	

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## **SUPPLEMENTARY INFORMATION**

*City of Calimesa*

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2024**

	Special Revenue Funds					
	Supplemental Law Enforcement Grant	Housing Rehab - State	Library	Transportation Air Quality Improvements	Gas Tax	Measure A
<b>ASSETS</b>						
Cash and investments	\$ 166,534	\$ 314,938	\$ 445,221	\$ 70,048	\$ 29,394	\$ 998,473
Receivables:						
Taxes and other	-	-	3,051	-	-	-
Intergovernmental	-	-	-	3,688	57,175	58,027
Loans	-	591,131	-	-	-	-
<b>Total Assets</b>	<b>\$ 166,534</b>	<b>\$ 906,069</b>	<b>\$ 448,272</b>	<b>\$ 73,736</b>	<b>\$ 86,569</b>	<b>\$ 1,056,500</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 24,119	\$ 338	\$ 3,730	\$ -	\$ 8,457	\$ -
Retentions payable	-	-	-	-	-	-
Unearned revenues	-	-	43,846	-	-	-
Due to other funds	-	-	-	-	-	-
Deposits	-	-	38,963	-	-	-
<b>Total Liabilities</b>	<b>24,119</b>	<b>338</b>	<b>86,539</b>	<b>-</b>	<b>8,457</b>	<b>-</b>
Fund Balances:						
Restricted	142,415	905,731	361,733	73,736	78,112	1,056,500
Assigned	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>142,415</b>	<b>905,731</b>	<b>361,733</b>	<b>73,736</b>	<b>78,112</b>	<b>1,056,500</b>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 166,534	\$ 906,069	\$ 448,272	\$ 73,736	\$ 86,569	\$ 1,056,500

Special Revenue Funds				Capital Projects	
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	General Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 74,901	\$ 20,143	\$ 4,017	\$ 445,101	\$ -	\$ 2,568,770
685	-	-	49,301	-	53,037
-	-	-	-	124,301	243,191
-	-	265,267	-	-	856,398
<b>\$ 75,586</b>	<b>\$ 20,143</b>	<b>\$ 269,284</b>	<b>\$ 494,402</b>	<b>\$ 124,301</b>	<b>\$ 3,721,396</b>
\$ 6,480	\$ -	\$ -	\$ -	\$ 8,595	\$ 51,719
-	-	-	-	1,863	1,863
-	-	-	-	-	43,846
-	-	-	-	80,506	80,506
-	-	-	-	-	38,963
6,480	-	-	-	90,964	216,897
69,106	20,143	269,284	494,402	-	3,471,162
-	-	-	-	33,337	33,337
69,106	20,143	269,284	494,402	33,337	3,504,499
<b>\$ 75,586</b>	<b>\$ 20,143</b>	<b>\$ 269,284</b>	<b>\$ 494,402</b>	<b>\$ 124,301</b>	<b>\$ 3,721,396</b>

# City of Calimesa

## Combining Statements of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended June 30, 2024

	Special Revenue Funds					
	Supplemental Law Enforcement Grant	Housing Rehab - State	Library	Transportation Air Quality Improvements	Gas Tax	Measure A
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	186,159	-	47,552	14,745	308,768	325,507
Investment earnings	5,154	11,804	17,349	2,557	1,817	35,352
Total Revenues	191,313	11,804	64,901	17,302	310,585	360,859
<b>EXPENDITURES</b>						
Current:						
General government	-	-	2,504	-	-	-
Public safety	155,713	-	-	-	-	-
Public works, parks and senior center	-	2,685	-	-	289,634	25,440
Community services and development	-	-	-	1,270	-	-
Library	-	-	28,949	-	-	-
Total Expenditures	155,713	2,685	31,453	1,270	289,634	25,440
Excess of Revenues Over Expenditures	35,600	9,119	33,448	16,032	20,951	335,419
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance	35,600	9,119	33,448	16,032	20,951	335,419
Fund Balance, Beginning of year, as previously stated	106,815	966,935	328,285	57,704	57,161	721,081
Restatement - error correction	-	(70,323)	-	-	-	-
Fund Balance, Beginning of year, as restated	106,815	896,612	328,285	57,704	57,161	721,081
Fund Balance, End of year	\$ 142,415	\$ 905,731	\$ 361,733	\$ 73,736	\$ 78,112	\$ 1,056,500

Special Revenue Funds				Capital Projects	
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	General Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 105,863	\$ -	\$ -	\$ -	\$ -	\$ 105,863
-	5,000	-	282,886	124,301	1,294,918
2,153	712	160	22,948	1,062	101,068
108,016	5,712	160	305,834	125,363	1,501,849
-	-	50,695	-	-	53,199
-	-	-	-	-	155,713
181,026	6,004	-	-	175,418	680,207
-	-	-	-	-	1,270
-	-	-	-	-	28,949
181,026	6,004	50,695	-	175,418	919,338
(73,010)	(292)	(50,535)	305,834	(50,055)	582,511
65,000	-	-	-	25,000	90,000
-	-	-	(310,000)	-	(310,000)
65,000	-	-	(310,000)	25,000	(220,000)
(8,010)	(292)	(50,535)	(4,166)	(25,055)	362,511
77,116	20,435	378,147	498,568	58,392	3,270,639
-	-	(58,328)	-	-	(128,651)
77,116	20,435	319,819	498,568	58,392	3,141,988
\$ 69,106	\$ 20,143	\$ 269,284	\$ 494,402	\$ 33,337	\$ 3,504,499

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Supplemental Law Enforcement Grant Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 162,000	\$ 162,000	\$ 186,159	\$ 24,159
Investment earnings	825	825	5,154	4,329
Total revenues	162,825	162,825	191,313	28,488
<b>EXPENDITURES</b>				
Current:				
Public safety	163,699	163,699	155,713	7,986
Total expenditures	163,699	163,699	155,713	7,986
Net change in fund balance	<u>\$ (874)</u>	<u>\$ (874)</u>	35,600	<u>\$ 36,474</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>106,815</u>	
End of year			<u>\$ 142,415</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Housing Rehab – State Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Investment earnings	2,100	2,100	11,804	9,704
Total revenues	5,600	5,600	11,804	6,204
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	3,500	3,500	2,685	815
Total expenditures	3,500	3,500	2,685	815
Net change in fund balance	\$ 2,100	\$ 2,100	9,119	\$ 7,019
<b>FUND BALANCE</b>				
Beginning of year, as previously reported			966,935	
Restatement - Correction of an error			(70,323)	
Beginning of year, as restated			896,612	
End of year			\$ 905,731	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Library Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 36,000	\$ 36,000	\$ 47,552	\$ 11,552
Investment earnings	3,300	3,300	17,349	14,049
Other	2,000	79,861	-	(79,861)
Total revenues	41,300	119,161	64,901	(54,260)
<b>EXPENDITURES</b>				
Current:				
General government	7,000	7,000	2,504	4,496
Library	26,900	328,046	28,949	299,097
Total expenditures	33,900	335,046	31,453	303,593
Net change in fund balance	\$ 7,400	\$ (215,885)	33,448	\$ 249,333
<b>FUND BALANCE</b>				
Beginning of year			328,285	
End of year			\$ 361,733	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Transportation Air Quality Improvements Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 12,700	\$ 12,700	\$ 14,745	\$ 2,045
Investment earnings	350	350	2,557	2,207
Total revenues	<u>13,050</u>	<u>13,050</u>	<u>17,302</u>	<u>4,252</u>
<b>EXPENDITURES</b>				
Current:				
Community services and development	<u>1,270</u>	<u>1,270</u>	<u>1,270</u>	<u>-</u>
Total expenditures	<u>1,270</u>	<u>1,270</u>	<u>1,270</u>	<u>-</u>
Net change in fund balance	<u>\$ 11,780</u>	<u>\$ 11,780</u>	16,032	<u>\$ 4,252</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>57,704</u>	
End of year			<u>\$ 73,736</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Gas Tax Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 316,431	\$ 300,431	\$ 308,768	\$ 8,337
Investment earnings	160	160	1,817	1,657
Total revenues	<u>316,591</u>	<u>300,591</u>	<u>310,585</u>	<u>9,994</u>
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	<u>326,833</u>	<u>310,833</u>	<u>289,634</u>	<u>21,199</u>
Total expenditures	<u>326,833</u>	<u>310,833</u>	<u>289,634</u>	<u>21,199</u>
Net change in fund balance	<u>\$ (10,242)</u>	<u>\$ (10,242)</u>	20,951	<u>\$ 31,193</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>57,161</u>	
End of year			<u>\$ 78,112</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Measure A Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 318,000	\$ 318,000	\$ 325,507	\$ 7,507
Investment earnings	6,300	6,300	35,352	29,052
Total revenues	<u>324,300</u>	<u>324,300</u>	<u>360,859</u>	<u>36,559</u>
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	<u>25,440</u>	<u>230,440</u>	<u>25,440</u>	<u>205,000</u>
Total expenditures	<u>25,440</u>	<u>230,440</u>	<u>25,440</u>	<u>205,000</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>298,860</u>	<u>93,860</u>	<u>335,419</u>	<u>241,559</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>600,000</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>600,000</u>
Net change in fund balance	<u>\$ (301,140)</u>	<u>\$ (506,140)</u>	<u>335,419</u>	<u>\$ 841,559</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>721,081</u>	
End of year			<u>\$ 1,056,500</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Lighting/Landscape District Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 108,000	\$ 108,000	\$ 105,863	\$ (2,137)
Investment earnings	40	40	2,153	2,113
Total revenues	108,040	108,040	108,016	(24)
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	207,348	222,218	181,026	41,192
Total expenditures	207,348	222,218	181,026	41,192
<b>REVENUES OVER EXPENDITURES</b>	<b>(99,308)</b>	<b>(114,178)</b>	<b>(73,010)</b>	<b>41,168</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,000	65,000	65,000	-
Total other financing sources (uses)	85,000	65,000	65,000	-
Net change in fund balance	<u>\$ (14,308)</u>	<u>\$ (49,178)</u>	(8,010)	<u>\$ 41,168</u>
<b>FUND BALANCE</b>				
Beginning of year			77,116	
End of year			<u>\$ 69,106</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Recycling Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Investment earnings	125	125	712	587
Total revenues	<u>5,125</u>	<u>5,125</u>	<u>5,712</u>	<u>587</u>
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	<u>5,000</u>	<u>7,000</u>	<u>6,004</u>	<u>996</u>
Total expenditures	<u>5,000</u>	<u>7,000</u>	<u>6,004</u>	<u>996</u>
Net change in fund balance	<u>\$ 125</u>	<u>\$ (1,875)</u>	<u>(292)</u>	<u>\$ 1,583</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>20,435</u>	
End of year			<u>\$ 20,143</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Housing Rehab – Federal Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Investment earnings	\$ 250	\$ 250	\$ 160	\$ (90)
Total revenues	250	250	160	(90)
<b>EXPENDITURES</b>				
Current:				
General government	-	50,695	50,695	-
Public works, parks and senior center	1,000	1,000	-	1,000
Total expenditures	1,000	51,695	50,695	1,000
Net change in fund balance	<u>\$ (750.00)</u>	<u>\$ (51,445)</u>	<u>(50,535)</u>	<u>\$ 910</u>
<b>FUND BALANCE</b>				
Beginning of year, as previously reported			378,147	
Restatement - Correction of an error			<u>(58,328)</u>	
Beginning of year, as restated			<u>319,819</u>	
End of year			<u>\$ 269,284</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Road Maintenance and Rehab Special Revenue Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 269,426	\$ 264,426	\$ 282,886	\$ 18,460
Investment earnings	5,000	5,000	22,948	17,948
Total revenues	<u>274,426</u>	<u>269,426</u>	<u>305,834</u>	<u>36,408</u>
<b>EXPENDITURES</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>274,426</u>	<u>269,426</u>	<u>305,834</u>	<u>36,408</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(310,000)</u>	<u>(717,705)</u>	<u>(310,000)</u>	<u>407,705</u>
Total other financing sources (uses)	<u>(310,000)</u>	<u>(717,705)</u>	<u>(310,000)</u>	<u>407,705</u>
Net change in fund balance	<u>\$ (35,574)</u>	<u>\$ (448,279)</u>	<u>(4,166)</u>	<u>\$ 444,113</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>498,568</u>	
End of year			<u>\$ 494,402</u>	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Capital Projects Including ARPA Capital Projects Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 917,356	\$ 917,356	\$ 566,924	\$ (350,432)
Investment earnings	18,000	18,000	80,834	62,834
Total revenues	935,356	935,356	647,758	(287,598)
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	2,692,356	3,385,337	698,189	2,687,148
Total expenditures	2,692,356	3,385,337	698,189	2,687,148
<b>REVENUES OVER EXPENDITURES</b>	(1,757,000)	(2,449,981)	(50,431)	2,399,550
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,775,000	1,820,000	1,220,000	(600,000)
Total other financing sources (uses)	1,775,000	1,820,000	1,220,000	(600,000)
Net change in fund balance	\$ 18,000	\$ (629,981)	1,169,569	\$ 1,799,550
<b>FUND BALANCE</b>				
Beginning of year			666,227	
End of year			\$ 1,835,796	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
Traffic Improvement Fees Capital Projects Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ 3,500,000	\$ 9,080,484	\$ 852,428	\$ (8,228,056)
Charges for services	-	-	8,400	8,400
Development fees	5,665,719	3,972,583	141,381	(3,831,202)
Developer contributions	791,300	540,000	-	(540,000)
Interest income	1,000	1,000	23,894	22,894
Total revenues	9,958,019	13,594,067	1,026,103	(12,567,964)
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	6,919,947	14,088,521	990,658	13,097,863
Total expenditures	6,919,947	14,088,521	990,658	13,097,863
<b>REVENUES OVER EXPENDITURES</b>	3,038,072	(494,454)	35,445	529,899
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	310,000	717,705	310,000	(407,705)
Total other financing sources (uses)	310,000	717,705	310,000	(407,705)
Net change in fund balance	\$ 3,348,072	\$ 223,251	345,445	\$ 122,194
<b>FUND BALANCE</b>				
Beginning of year, as previously reported			-	
Restatement - Change in reporting entity			532,506	
Beginning of year, as restated			532,506	
End of year			\$ 877,951	

*City of Calimesa*

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
General Capital Projects Capital Projects Fund  
For the Year Ended June 30, 2024**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental	\$ -	\$ 140,615	\$ 124,301	\$ (16,314)
Investment earnings	225	225	-	(225)
Unrealized loss on investments	-	-	1,062	1,062
Total revenues	225	140,840	125,363	(15,477)
<b>EXPENDITURES</b>				
Current:				
Public works, parks and senior center	-	185,349	175,418	9,931
Total expenditures	-	185,349	175,418	9,931
<b>REVENUES OVER EXPENDITURES</b>	225	(44,509)	(50,055)	(5,546)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,000	25,000	25,000	-
Total other financing sources (uses)	5,000	25,000	25,000	-
Net change in fund balance	\$ 5,225	\$ (19,509)	(25,055)	\$ (5,546)
<b>FUND BALANCE</b>				
Beginning of year			58,392	
End of year			\$ 33,337	



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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  
City of 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Calimesa (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

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California Society of  
Certified Public Accountants



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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 or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the entity'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.

Respectfully,

*Rogers, Anderson, Malody & Scott, LLP.*

December 9, 2024