

City of Calimesa

Calimesa, California

*Annual Audit Report and Financial
Statements*

For the year ended June 30, 2021

City of Calimesa
Annual Audit Report and Financial Statements
For the year ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Calimesa, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and budgetary comparison information on pages 5-14 and 64-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

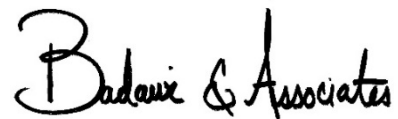
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15 2021 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 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 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 City's internal control over financial reporting and compliance.

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

Badawi & Associates, CPAs
Berkeley, California
December 15, 2021

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City of Calimesa

Management's Discussion and Analysis

For the year ended June 30, 2021

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, 2021. 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, 2021, the City assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$41.5 million. Approximately 48% of this amount is invested in capital assets (net of related debt) and therefore not available to meet the City's ongoing operations.
- During the fiscal year, the City's net position increased by \$4.8 million.
- At June 30, 2021, the City's governmental funds reported combined ending fund balance of \$22.4 million, an increase of \$3.3 million compared to prior fiscal year.
- The City's General Fund balance increased by \$1.9 million during fiscal year 2020-21.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The Statement of Activities provides information on how the City's Net Position changed during the fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. All revenues earned and expenses incurred during the fiscal year are reported in this statement, regardless of timing of related cash flows.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-Wide Financial Statements, Continued

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

In order 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 14 governmental funds. The major governmental funds are the General Fund, Measure A Fund and Mitigation 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.

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

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Notes to Basic Financial Statements

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

Supplementary Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table shows the condensed comparative Statement of Net Position for the fiscal years ended June 30, 2021 and 2020.

Comparative Statements of Net Position
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Assets:		
Cash and investments	\$ 23,066,416	\$ 20,030,247
Other assets	2,583,006	2,759,939
Capital assets, net	20,267,720	18,771,969
Total Assets	45,917,142	41,562,155
Deferred Outflows of Resources		
Deferred outflow - contribution	131,048	122,260
Deferred outflow - pension related amounts	144,331	156,214
Total Deferred Outflows of Resources	275,379	278,474
Liabilities:		
Long-term liabilities	1,533,873	1,422,928
Other liabilities	3,108,961	3,603,717
Total Liabilities	4,642,834	5,026,645
Deferred Inflows of Resources		
Deferred inflow - pension related amounts	69,032	95,704
Total Deferred Inflows of Resources	69,032	95,704
Net Position:		
Net Investment in Capital Assets	19,966,119	18,432,458
Restricted	14,935,222	13,496,948
Unrestricted	6,579,314	4,788,874
Total Net Position	\$ 41,480,655	\$ 36,718,280

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

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 \$41.5 million. This is an increase of \$4.8 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, \$19.9 million, or 48%, is its investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, they are not available for future spending. There is outstanding debt of \$301,601 with relation to capital assets.

Another portion of the City's Net Position, \$14.9 million, or 36%, 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 \$6.6 million, or 16%, represents unrestricted Net Position, which may be used to finance daily operations without constraints established by debt covenants or other legal requirements.

The City's cash and investments increased by \$3,036,169.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

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, 2021 and 2020.

Comparative Statements of Activities and Changes in Net Position
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 2,467,934	\$ 2,835,669
Operating grants and contributions	657,200	672,952
Capital grants and contributions	3,350,977	5,567,411
Total program revenues	<u>6,476,111</u>	<u>9,076,032</u>
General revenues:		
Taxes:		
General property taxes	3,563,079	3,033,732
Sales tax	1,173,073	948,672
Motor vehicle in-lieu	1,137,502	987,685
Franchise fees	502,529	444,372
Transient occupancy tax	86,990	72,640
Business Licenses	42,317	49,610
Unrestricted investment earnings	114,902	317,449
Miscellaneous	85,331	66,122
Total general revenues	<u>6,705,723</u>	<u>5,920,282</u>
Total Revenues	<u>13,181,834</u>	<u>14,996,314</u>
Expenses:		
General government	\$ 1,820,362	1,402,650
Public safety	4,400,917	4,310,318
Public works	1,029,471	1,117,094
Community development	904,792	1,715,417
Parks and recreation	237,755	237,127
Library	21,306	45,774
Total Expenses	<u>8,414,603</u>	<u>8,828,380</u>
Increase (decrease) in net position	4,767,231	6,167,934
Prior Period Adjustments	(4,856)	-
Net position - beginning	36,718,280	30,550,346
Net position - ending	<u>\$ 41,480,655</u>	<u>\$ 36,718,280</u>

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The City's expenses totaled \$8.4 million in fiscal year 2020-21. These expenses were more than offset by program revenues of \$6.5 million and general revenues of \$6.7 million. This resulted in an increase in Net Position of \$4.8 million.

Program Revenues - Program Revenues include fees and other specific charges designed to cover all or part of the costs of programs provided to the citizens, as well as certain revenues related to capital improvements and new development. Capital grants and contributions decreased by \$2.2 million mainly due to a decrease in development mitigation fees and development contributions collected in 2020-21. Charges for services decreased by \$.4 million due to a decrease in development related activity including reduction in revenues for developer fee agreements and community benefit revenue. Operating Grants and Contributions remained relatively consistent year over year. Overall, program revenues decreased by \$2.6 million.

General Revenues - The overall increase from the prior year is 13%. This is mainly due to a 17% increase in property taxes, a 15% increase in motor vehicle-lieu, and a 24% increase in sales taxes. There was a steady increase in revenue categories including franchise fees and transient occupancy tax. Investment earnings decreased by 64%, a reduction of \$202,000 from the prior year. This is a result of the impact of economic conditions and current interest rates.

Expenses - Expenses decreased overall by \$414,000 or 5%. There are increases and decreases occurring within the expense categories. The most significant increases resulted from General Government of \$418,000 and Public Safety of \$100,000. General government increases were a result of expenses relating to the City's Emergency Operations Center in continued response to COVID-19 emergency protective measures, information technology contracts, and a generator for the City Hall Complex. The most significant decrease resulted from community services and development of \$810,000 as a result of reduced expenses in interchange and street improvements over the prior year.

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. In particular, 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, 2021, the City's combined governmental fund balances were \$22.4 million, an increase of \$3.3 million, or 18%, over the prior fiscal year. Of this amount, approximately \$15 million represents restricted fund balance, \$2.1 million represents committed fund balance, and \$0.6 million represents assigned fund balance. The balance represents unassigned fund balance of \$4.7 million.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

FUND FINANCIAL ANALYSIS, Continued

Governmental revenues in fiscal year 2020-21 were \$13.1 million. This was a decrease of \$1.8 million from fiscal year 2019-20. There were both increases and decreases in all revenue categories, however the most significant were an increase of \$1 million in taxes and a decrease of \$2.7 million in development fees. It should be noted that typically development fees are one-time in nature and subject to timing as development occurs within the City of Calimesa.

Governmental expenditures in fiscal year 2020-21 were \$9.8 million, a decrease of \$.8 million from fiscal year 2019-20. The overall decrease of 8% is comprised of increases and decreases over several expense categories. Increases of approximately \$.5 million were from general government and public safety. Decreases of approximately \$1.3 million were from public works and community development. General government increases were a result of expenses relating to the City's Emergency Operations Center in continued response to COVID-19 emergency protective measures, information technology contracts, and a generator for the City Hall Complex. Decreases were primarily related to reduced expenditures in the mitigation fees fund for interchange projects and streets improvements.

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, 2021, the General Fund had a total fund balance of \$7,414,975, which consisted of nonspendable fund balance of \$3,907, committed fund balance of \$2,099,021 representing amounts set aside by City Council for emergencies and economic stability (calculated as 30% of annual expenditures), \$357,216 committed fund balance for equipment replacement (calculated as 5% of annual expenditures) assigned fund balance for insurance of \$177,014, and unassigned fund balance of \$4,777,817.

The total fund balance of the City's General Fund increased by \$1,866,037 when compared to fiscal year 2019-20. Revenues exceeded expenditures by \$1,980,037, while other financing uses resulted in a decrease of \$114,000. Revenues increased by \$573,259 and expenditures increased by \$252,090 from the prior year. The increase in revenues, an overall 6.8%, was a net effect of increases and decreases throughout all categories. The most significant being a \$972,735 increase in taxes, \$72,725 in charges for services, and \$197,034 in intergovernmental revenues. Decreases of \$303,039 in licenses and permits, \$296,583 in development fees and \$65,069 of investment earnings offset increased revenues. The increase in overall expenditures of \$252,090, or 3.7% was due to increases in several expenditure categories. Increases include public safety with an increase of \$214,832 and general government with an increase of \$182,846. Increases in general government were attributed to increases in insurance costs, emergency response expenditures relating to a fire incident and increased professional fees and contractual services. Increases in public safety include costs for the City's contract with the County Sheriff's Department of approximately 3.5% and increases to Fire Department salaries and overtime as a result of multiple EOC activations and mutual aid assignments and one-time costs associated with equipment and facility repairs. All other expenditure increases are considered within normal parameters. The most significant expenditure decrease was community service and development, which decreased by \$182,325 attributed to a reduction in building and safety and professional services contracts. The building and safety contract expenditure has a correlation to the respective decrease in licenses and permit revenue.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

FUND FINANCIAL ANALYSIS, Continued

Measure A - Special Revenue Fund

The Measure A Fund accounts for revenue in the form of voter-approved sales tax to be used for street and road purposes. The revenue in this fund increased by \$27,260 and expenditures increased by \$568,842. The increase in expenditures relates to streets projects carried forward from prior years that were completed in the fiscal year of audit.

Mitigation Fees - Special Revenue Fund

The Mitigation Fee Fund accounts for revenue from development impact fees and grants to be used for facilities including street and traffic, storm drain, parks, library, public safety and general government. These fees are used to mitigate the impacts of new development. Activity in the fund will vary from year to year based upon the timing of development moving forward. For example, 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. Both commercial and residential building permits continue to be issued. Revenues decreased over prior year by \$2,472,264 and expenditures decreased by \$1,649,615. This fund had a net increase in fund balance of \$1,603,056 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is presented in the Required Supplementary Information.

The General Fund revenue budget for fiscal year 2020-21 was increased during the year by \$1,198,036 to capture actual operating results in various revenue categories. The expenditure budgets were also amended as an increase to account for unanticipated expenditures of \$1,073,412. Actual revenues were \$425,193 higher than the final amended budget due primarily to increases in taxes, licenses and permits, and development related revenues. Actual expenditures for the fiscal year were \$1,082,136 under the amended budget primarily due to savings in fire department, general government and community development expenditure categories.

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, 2021, the City's capital assets used in governmental activities amounted to \$20.2 million, net of depreciation.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

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

	Governmental Activities	
	2021	2020
Land	\$ 1,918,401	\$ 1,918,401
Construction in Progress	5,251,343	4,069,803
Buildings and Improvements	4,258,214	4,258,214
Infrastructure:		
Road Network	13,717,079	12,822,744
Equipment	1,350,459	1,288,939
Capital assets before depreciation	26,495,496	24,358,101
Less: accumulated depreciation (excludes land)	(6,227,776)	(5,586,132)
Total net capital assets	<u>\$ 20,267,720</u>	<u>\$ 18,771,969</u>

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

Long-term Obligations

At June 30, 2021, the City had long-term debt outstanding of \$570,401 compared to \$562,859 in the prior year. The lease payable was reduced while the compensated absences obligation increased. This resulted in a net increase of \$7,542. The City's long-term debt obligations at June 30, 2021 and 2020 were as follows:

	Governmental Activities	
	2021	2020
Compensated Absences	\$ 268,800	\$ 223,348
Capital Lease Payable	301,601	339,511
Total	<u>\$ 570,401</u>	<u>\$ 562,859</u>

Not included in the above total outstanding debt amount is the Successor Agency Trust. At June 30, 2021, there was \$2,255,000 bond debt outstanding. Additional information on long-term obligations is provided in Note 9 to the Basic Financial Statements.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's adopted budget for 2021-22 recognized that:

- The fiscal impact of the continued COVID-19 pandemic.
- The City continues to experience strong commercial and residential development projects resulting in economic and population growth.
- The adopted budget reflects very conservative revenue estimates given the continued COVID-19 economic impact, as well as the City's lack of control over how quickly planned development will move forward.
- The City continues to focus on increasing the tax base, namely, property taxes and sales tax, which will be key to sustaining service levels and long-term fiscal stability.
- Development will continue to play a major role in 2021-22 in the areas of revenue generation, infrastructure and staffing levels.
- The adopted FY 2021-22 budget projects an approximate 74% General Fund reserve level at June 30, 2022, which is a well above the Council approved policy of 30%.
- PERS rates remain an ongoing factor influencing the budget.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, 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 FINANCIAL STATEMENTS

City of Calimesa
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments (Note 2)	\$ 23,066,416
Receivables:	
Taxes	658,638
Interest	19,662
Due from the Successor Agency	70,084
Due from other governments	607,719
Prepaid expenses	3,907
Note receivable	1,222,996
Capital assets not being depreciated (Note 4)	7,169,744
Capital assets being depreciated, net (Note 4)	13,097,976
Total Assets	45,917,142
Deferred Outflows of Resources	
Deferred outflow - pension contribution	131,048
Deferred outflow - pension related amounts	144,331
Total Deferred outflows of resources	275,379
Liabilities	
Accounts payable and accrued liabilities	828,277
Accrued payroll	70,011
Deposits	2,160,160
Unearned revenue	50,513
Noncurrent liabilities:	
Due within one year	92,883
Due in more than one year	477,518
Net pension liability	963,472
Total Liabilities	4,642,834
Deferred Inflows of Resources	
Deferred inflows - pension related amounts	69,032
Total Deferred inflows of resources	69,032
Net Position	
Net investment in capital assets	19,966,119
Restricted:	
Legally restricted - Street and Road Improvements	429,417
Regulatory/grant restrictions	2,194,285
Legally restricted - Dev. Impact fees	12,311,520
Unrestricted	6,579,314
Total Net Position	\$ 41,480,655

See accompanying Notes to Basic Financial Statements.

City of Calimesa
Statement of Activities
For the year ended June 30, 2021

Functions/Programs:	Expenses	Program Revenues			Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
Primary Government:						
Governmental activities:						
General government	\$ 1,820,362	\$ 378,868	\$ -	\$ -	\$ 378,868	\$ (1,441,494)
Public safety	4,400,917	180,845	192,750	-	373,595	(4,027,322)
Public works	1,029,471	809,443	390,775	3,350,977	4,551,195	3,521,724
Community services and development	904,792	1,098,778	38,608	-	1,137,386	232,594
Parks and recreation	237,755	-	-	-	-	(237,755)
Library	21,306	-	35,067	-	35,067	13,761
Total governmental activities	\$ 8,414,603	\$ 2,467,934	\$ 657,200	\$ 3,350,977	\$ 6,476,111	(1,938,492)
General Revenues:						
Taxes:						
Property						3,563,079
Sales tax						1,173,073
Motor vehicle in-lieu						1,137,502
Franchise fees						502,529
Transient occupancy taxes						86,990
Business Licenses						42,317
Total Taxes						6,505,490
Unrestricted investment earnings						114,902
Other						85,331
Total general revenues						6,705,723
Change in net position						4,767,231
Net position - beginning of year, as restated						36,713,424
Net position - end of year						\$ 41,480,655

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

City of Calimesa
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
Assets			
Cash and investments	\$ 9,468,099	\$ 360,677	\$ 12,167,217
Receivables:			
Taxes	585,875	-	-
Intergovernmental	-	68,835	507,815
Interest	19,662	-	-
Loans	-	-	-
Prepaid expenses	3,907	-	-
Due from other funds	5,532	-	-
Due from the Successor Agency	70,084	-	-
Total assets	\$ 10,153,159	\$ 429,512	\$ 12,675,032
Liabilities, Deferred Inflow of Resources, and Fund Balance			
Liabilities:			
Accounts payable	406,926	95	363,512
Accrued payroll	70,011	-	-
Unearned revenues	11,614	-	-
Due to other funds	-	-	-
Deposits	2,121,197	-	-
Total liabilities	2,609,748	95	363,512
Deferred Inflow of Resources:			
Unavailable revenues	128,436	-	-
Total Deferred inflows of resources	128,436	-	-
Fund Balance:			
Nonspendable	3,907	-	-
Restricted	-	429,417	12,311,520
Committed for:			
Emergencies and economic stabilization	2,099,021	-	-
Equipment replacement	357,216	-	-
Assigned for:			
Capital projects	-	-	-
Insurance	177,014	-	-
Unassigned	4,777,817	-	-
Total fund balance	7,414,975	429,417	12,311,520
Total liabilities, deferred inflow of resources and fund balance	\$ 10,153,159	\$ 429,512	\$ 12,675,032

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,070,423	\$ 23,066,416
72,763	658,638
31,069	607,719
-	19,662
1,222,996	1,222,996
-	3,907
-	5,532
-	70,084
<u>\$ 2,397,251</u>	<u>\$ 25,654,954</u>
57,744	828,277
-	70,011
38,899	50,513
5,532	5,532
38,963	2,160,160
<u>141,138</u>	<u>3,114,493</u>
1,501	129,937
<u>1,501</u>	<u>129,937</u>
-	3,907
2,194,285	14,935,222
-	2,099,021
-	357,216
60,327	60,327
-	177,014
-	4,777,817
<u>2,254,612</u>	<u>22,410,524</u>
<u>\$ 2,397,251</u>	<u>\$ 25,654,954</u>

See accompanying Notes to Basic Financial Statements.

City of Calimesa

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2021

Total Fund Balance - Governmental Funds	\$	22,410,524
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Amounts reported for governmental activities in the statement of net positions (page 18) 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	7,169,744
Capital assets being depreciated, net	13,097,976
Total capital assets	<u>20,267,720</u>

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

129,937

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

131,048

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

75,299

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

Compensated absences	(268,800)
Capital lease payable	(301,601)
Net pension liability	<u>(963,472)</u>

Net position of governmental activities	\$	<u>41,480,655</u>
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City of Calimesa

Statements of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended June 30, 2021

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
Revenues			
Taxes	\$ 6,319,178	\$ -	\$ -
Licenses and permits	1,128,913	-	-
Fines and forfeitures	24,119	-	-
Intergovernmental	204,762	238,612	169,902
Charges for services	368,499	-	-
Development fees	809,443	-	2,942,462
Investment earnings	43,170	3,523	63,276
Other	78,689	-	-
Total Revenues	8,976,773	242,135	3,175,640
Expenditures			
Current:			
General government	1,448,050	-	241,969
Public safety	4,082,263	-	24,065
Public works	479,883	657,378	1,247,177
Community services and development	831,953	-	-
Parks and recreation	154,587	-	5,557
Library	-	-	4,349
Debt service:			
Principal	-	-	37,910
Interest and fiscal charges	-	-	11,557
Total Expenditures	6,996,736	657,378	1,572,584
Excess of Revenues Over Expenditures	1,980,037	(415,243)	1,603,056
Other Financing Sources (Uses)			
Transfers in	-	44,000	-
Transfers out	(114,000)	-	-
Total Other Financing Sources (Uses)	(114,000)	44,000	-
Net Change in Fund Balance	1,866,037	(371,243)	1,603,056
Fund Balance - Beginning of year, as restated	5,548,938	800,660	10,708,464
Fund Balance - End of year	\$ 7,414,975	\$ 429,417	\$ 12,311,520

See accompanying Notes to Basic Financial Statements.

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 99,612	\$ 6,418,790
-	1,128,913
-	24,119
638,356	1,251,632
-	368,499
-	3,751,905
4,934	114,903
-	78,689
742,902	13,137,450
-	1,690,019
197,674	4,304,002
342,979	2,727,417
38,678	870,631
-	160,144
16,957	21,306
-	37,910
-	11,557
596,288	9,822,986
146,614	3,314,464
70,000	114,000
-	(114,000)
70,000	-
216,614	3,314,464
2,037,998	19,096,060
\$ 2,254,612	\$ 22,410,524

City of Calimesa

Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statements of Activities For the Year Ended June 30, 2021

Net change in fund balance - governmental funds \$ 3,314,464

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

Governmental funds reported additions of capital assets as capital outlay and program expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets purchased in the current period. 2,167,304

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. (671,553)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 44,384

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. 131,048

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (210,874)

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 37,910

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. (45,452)

Change in net position of governmental activities

\$ 4,767,231

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, 2021

	Custodial Funds	Successor Agency Trust Fund
Assets		
Cash and investments	\$ 5,270,861	\$ -
Cash and investments with fiscal agent - restricted	2,698,044	211,317
Receivables:		
Assessments	23,158	-
Total assets	7,992,063	211,317
Deferred outflows of resources		
Deferred loss on refunding	-	78,768
Total deferred outflows of resources	-	78,768
Liabilities		
Accounts payable and accrued liabilities	2,052,776	\$ -
Deposits	29,105	-
Due to City of Calimesa	-	70,084
Noncurrent liabilities:		
Due within one year	-	110,000
Due in more than one year	-	2,157,247
Total liabilities	2,081,881	2,337,331
Net Position		
Restricted		
Debt service	5,905,326	211,317
Multiple Species Habitat Conservation Plan	4,856	-
Unrestricted	-	(2,258,563)
Net position	\$ 5,910,182	\$ (2,047,246)

See accompanying Notes to Basic Financial Statements.

City of Calimesa
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended June 30, 2021

	Custodial Funds	Successor Agency Trust Fund
Additions		
Special assessments	\$ 2,491,278	\$ -
Redevelopment Property Tax Trust Fund distributions	-	294,674
Collections from other governments	-	-
Proceeds from bond issuance	15,369,762	-
Investment earnings	11,595	52
Fees collected on behalf of other agencies	2,601,046	-
Total additions	<u>20,473,681</u>	<u>294,726</u>
Deductions		
Administration	1,603,635	98,132
Debt service payments	586,836	87,241
Costs of bond issuance	472,383	-
Payment to escrow agent	14,078,085	-
Professional services	227,016	-
Disbursement of fees to other agencies	2,601,046	-
Total deductions	<u>19,569,001</u>	<u>185,373</u>
Change in Net Position	904,680	109,353
Net Position - beginning, as restated	<u>5,005,502</u>	<u>(2,156,599)</u>
Net Position - ending	<u>\$ 5,910,182</u>	<u>\$ (2,047,246)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Calimesa
Notes to Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the reporting entity

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

B. Government-wide and fund financial statements

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Government-wide and fund financial statements, Continued

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The City's non-major capital projects fund accounts for projects related to the Americans with Disabilities Act (ADA).

Fiduciary Fund Financial Statements

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated sources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. In addition, fiduciary funds are not included in the government-wide financial statements.

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity

Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

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

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

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

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

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

Receivables

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Interfund Transactions

Interfund transactions are reflected as loans, reimbursements for services provided or transfers. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Use of estimates

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

Unearned revenues

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

Claims and judgments

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

Capital assets

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

Pension Plan

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

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

Employee leave benefits

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

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

Compensatory time

All compensatory time is payable to the employee upon termination at the rate of pay at separation.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Sick leave

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

Vacation leave

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

Property taxes

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

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

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

Net Position

Government-Wide Financial Statements

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Net Position, Continued

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

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

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

Fund Balances

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

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

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Fund Balances, Continued

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

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

Long-term obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. New Pronouncements

In 2021, the City adopted new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 84, *Fiduciary Activities* – The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local government. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement did not apply to the City for the current fiscal year.

GASB Statement No. 90, *Majority Equity Interest* – The objective of this statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government’s holding of the equity meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* – The objective of this statement is to address the accounting and financial reporting implications that result from the elimination of the London Interbank Offered Rate (LIBOR) that is notably used in most agreements in which variable payments made or received depend on an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* – The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension and other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units; and (3) enhance the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. There was no impact on net position as a result of implementation of this statement.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows.

	Primary Government		Total
	Governmental Activities	Fiduciary Funds	
Deposits and investments	\$ 23,066,416	\$ 5,270,861	\$ 28,337,277
Cash and investments held with fiscal agent	-	2,909,361	2,909,361
Total cash and investments	\$ 23,066,416	\$ 8,180,222	\$ 31,246,638

Cash on hand	\$ 400
Deposits with financial institution	2,066,884
Total cash on hand and deposits	2,067,284
Local Agency Investment funds	26,269,993
Total investments	26,269,993
Total City Treasury	28,337,277
Cash and investments with fiscal agent	2,909,361
Total cash and investments	\$ 31,246,638

A. Deposits

The carrying amount of the City's cash deposit was \$2,066,884 at June 30, 2021. Bank balances before reconciling items were \$2,801,848 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, Continued

B. Investments

Authorized investments

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

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

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

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Investments authorized by debt agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

The table below identifies the *investment types* that are authorized for investments held by bond trustee. The Table also identifies certain provisions of these debt agreements that address *interest risk* and *concentration of credit risk*.

Authorization investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	None	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	None	None	None
Repurchase/Investment Agreement	180 days	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund	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

\$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	\$ 26,269,993	\$ 26,269,993
Total Investments	<u>\$ 26,269,993</u>	<u>\$ 26,269,993</u>

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

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 California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits:

Credit risk/pooled cash

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

Disclosures relating to credit risk

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

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

Investment type	Amount	Minimum legal rating	Rating
			Not Rated
Local Agency Investment Fund	\$ 26,269,993	N/A	\$ 26,269,993
Total Investments	\$ 26,269,993		\$ 26,269,993

Concentration of credit risk

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City’s investment with LAIF at June 30, 2021 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2021, the City had \$26,269,993 invested in LAIF, which had invested 2.31% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 3.27% in the previous year. The LAIF fair value factor of 1.00008297 was used to calculate the fair value of the investments in LAIF.

3. INTERFUND TRANSACTIONS

The composition of interfund transfers for the fiscal year ended June 30, 2021 were as follows:

		Transfers In		
		Measure A Special Revenue Fund	Non Major Governmental Funds	Total
Transfers Out	Major Fund:			
	General Fund	\$ 44,000	\$ 70,000	\$ 114,000
	Total	\$ 44,000	\$ 70,000	\$ 114,000

The transfers which occurred were: \$44,000 from General Fund to Measure A Special Revenue Fund for Measure A funded projects, and a combined \$70,000 from General Fund to Non-Major Governmental Funds to fund Lighting/Landscape District activities and for capital projects.

The General Fund reported due from Non Major Governmental Funds of \$5,532 that represents short term borrowings to be repaid upon receipt of future revenues.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

4. CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2021 is as follows:

	Beginning balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,918,401	\$ -	\$ -	\$ 1,918,401
Construction in progress	4,069,803	2,075,875	894,335	5,251,343
Total capital assets not being depreciated	5,988,204	2,075,875	894,335	7,169,744
Capital assets being depreciated:				
Building and improvements	4,258,214	-	-	4,258,214
Machinery and equipment	1,288,939	91,429	29,909	1,350,459
Road network	12,822,744	894,335	-	13,717,079
Total capital assets being depreciated	18,369,897	985,764	29,909	19,325,752
Less accumulated depreciation for:				
Buildings and improvements	(1,152,818)	(111,236)	-	(1,264,054)
Machinery and equipment	(654,654)	(106,453)	(29,909)	(731,198)
Road network	(3,778,660)	(453,864)	-	(4,232,524)
Total accumulated depreciation	(5,586,132)	(671,553)	(29,909)	(6,227,776)
Total capital assets, being depreciated, net	12,783,765	314,211	59,818	13,097,976
Governmental activities capital assets, net	\$ 18,771,969	\$ 2,390,086	\$ 954,153	\$ 20,267,720

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

General government	\$ 5,065
Public safety	96,915
Public works	469,358
Community services and development	22,604
Parks and recreation	77,611
Total depreciation expense - governmental activities	\$ 671,553

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

5. LONG-TERM LIABILITIES

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2021:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year	Due in more than one year
Compensated Absences	\$ 223,348	\$ 101,527	\$ 56,075	\$ 268,800	\$ 53,760	\$ 215,040
Capital Lease Payable	339,511	-	37,910	301,601	39,123	262,478
Total Long-Term Liabilities	\$ 562,859	\$ 101,527	\$ 93,985	\$ 570,401	\$ 92,883	\$ 477,518

Compensated absences

For the governmental funds, accumulated vacation, and compensatory time payable, excluding the current portion of \$53,760 at June 30, 2021, was \$215,040. 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.

Capital lease payable

On October 16, 2017, the City entered into a lease agreement with the Municipal Finance Corporation to finance the acquisition of a fire engine. The lease will be paid off in 10 annual installment payments and qualifies as a capital lease for accounting purposes. The future minimum obligations and the net present value of the lease payments as of June 30, 2021, were as follows:

Fiscal Year Ending June 30	Amount
2022	\$ 48,774
2023	48,774
2024	48,774
2025	48,774
2026	48,774
2027-2028	97,548
Total lease payment	\$ 341,418
Less: amount representing interest	(39,817)
Present value of minimum lease payments	\$ 301,601

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

6. EMPLOYEE RETIREMENT PLANS

Defined Benefit Plan:

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors one rate plan (miscellaneous). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website (www.calpers.ca.gov).

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2021 are summarized as follows:

	Miscellaneous	
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	9.281%	7.732%
Required employer dollar UAL payment (annual)	\$59,599	\$1,778

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

B. Benefits Provided, Continued

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

For the measurement period ended June 30, 2020, the employer contributions recognized against net pension liability for the Plan were \$122,260. For the fiscal year ended June 30, 2021, the employer contributions reported as deferred outflows of resources were \$131,048.

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

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$963,472.

The City’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City’s proportionate of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City’s proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2019 and 2020 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.008390%
Proportion - June 30, 2020	0.008860%
Change - Increase (Decrease)	<u>0.000470%</u>

For the year ended June 30, 2021, the City recognized pension expense of \$210,874.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

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

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 131,048	\$ -
Changes of assumptions	-	6,872
Differences between expected and actual experience	49,650	-
Changes in employer's proportion	66,060	-
Differences between the employer's contribution and the employer's proportionate share of contributions		62,160
Net differences between projected and actual earnings on plan investments	<u>28,621</u>	<u>-</u>
Total	<u>\$ 275,379</u>	<u>\$ 69,032</u>

\$131,048 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	
2022	\$ 11,192
2023	27,751
2024	22,629
2025	13,727

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.15%
Mortality	Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

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

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued:

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

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

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

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

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

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

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

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

1% Decrease	6.15%
Net Pension Liability	\$ 1,578,079
Current Discount Rate	7.15%
Net Pension Liability	\$ 963,472
1% Increase	8.15%
Net Pension Liability	\$ 455,641

D. Payable to the Pension Plan

At June 30, 2021, the City did not report any outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

6. EMPLOYEE RETIREMENT PLANS, Continued

Defined Contribution Plan:

The City sponsors the City of Calimesa Public Agency Retirement System (PARS) Defined Contribution Plan for its fire employees. An Eligible Employee shall participate in this Plan if he or she is a full-time Fire Safety Employee of the City on or after September 1, 2017. The City contributes 7.5% of employee compensation annually into the Plan. Employees' contributions are optional. Each Participant shall be one hundred percent (100%) vested in his or her Employer Contribution Account at all times. During the fiscal year ended June 30, 2021, the City contributed \$55,771 to the Plan.

7. RISK MANAGEMENT

In July 1996, the City became a member of the Public Agency Risk Sharing Authority of California (PARSAC), a consortium of California cities, established in May 1986 to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. 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 Public Agency Risk Sharing Authority of California (PARSAC). Amounts in excess of \$1,000,000 up to \$35,000,000 are covered through additional insurance purchased from third parties by PARSAC.

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 PARSAC. The City is at risk up to \$25,000 per occurrence. Coverage through PARSAC is up to \$500,000 per claim. Claims in excess of \$500,000, up to \$5,000,000 are covered by policies purchased by PARSAC 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 PARSAC.

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

Subsequent to the end of the year, PARSCAC merged with another entity to form the California Intergovernmental Risk Authority.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

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.

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.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

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

The following is a summary of the changes in bonds payable in the Successor Agency Trust Fund for the fiscal year ended June 30, 2021:

Description	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds					
2014 Series bonds, Refunding	\$ 2,360,000	\$ -	\$ (105,000)	\$ 2,255,000	\$ 110,000
Deferred amounts					
For issuance premium, relating to 2014 bonds	18,173	-	(5,926)	12,247	-
Total Bonds	\$ 2,378,173	\$ -	\$ (110,926)	\$ 2,267,247	\$ 110,000

2014 Tax Allocation Refunding Revenue Bonds

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

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

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	Principal	Interest
June 30		
2022	\$ 110,000	\$ 83,038
2023	115,000	78,638
2024	120,000	74,038
2025	125,000	68,038
2026	130,000	64,288
2027-2031	705,000	256,991
2032-2036	840,000	121,706
2037-2039	110,000	9,000
Total	\$ 2,255,000	\$ 755,737

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

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

2014 Tax Allocation Refunding Revenue Bonds, Continued

The bonds were issued to assist the Agency in the financing of redevelopment activities, to fund the Reserve Subaccounts and to pay certain costs relating to the issuance of the bonds. Per the bond indenture, a reserve is required to be maintained and at June 30, 2021, the amount held in the reserve account was \$211,317 which was fully funded. The bonds are payable from and equally and ratably secured by a first pledge of Revenues consisting primarily of certain property tax revenues to be derived from the Project Areas.

Pledged revenues

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

10. AMOUNT DUE TO OTHER GOVERNMENTS

The City has a payable to the City of Beaumont relating to road improvements for a road shared by the City and the City of Beaumont. Repayment shall be made out of the first development impact fees received by the City from developers in the Summerwind Ranch Specific Plan. The City's liability to repay the loan is limited to the extent of the development impact fees that they receive. The City repaid this loan on September 24, 2021 in the amount of \$226,584.

11. 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 or assessments, specific reserves, and the proceeds from property foreclosures to be levied by the district. The outstanding balance of all conduit debt of the City as of June 30, 2021 was \$24,463,476.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2021

12. RESTATEMENT AS A RESULT OF IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The City implemented GASB Statement No. 84, *Fiduciary Activities* during the year. Changes adopted to conform to the provisions of the Statement are required to be applied retroactively by restating the financial statements.

The restatements presented in the table below were recorded to establish the City’s custodial funds’ beginning fiduciary net position by:

- Reclassifying \$5,000,646 previously reported as a liability (Due to bondholders) in the City’s agency funds. Agency funds were required to only report assets and offsetting liabilities and did not report any fiduciary net position.
- Reclassify \$4,856 previously reported in governmental funds to the custodial funds.

	Net Position/Fund Balances, as Previously Reported at June 30, 2020	Prior Period Adjustments		Net Position/Fund Balance as Restated at June 30, 2020
		Cash	Due to bondholders	
Government-Wide Statements				
Governmental Activities	\$ 36,718,280	\$ (4,856)	\$ -	\$ 36,713,424
Governmental Funds				
Mitigation Fees Special Revenue	\$ 10,713,320	\$ (4,856)	\$ -	\$ 10,708,464
Fiduciary Funds				
Custodial Funds	\$ -	\$ 4,856	\$ 5,000,646	\$ 5,005,502

The restatements described were recorded as part of implementing new accounting standards, and were not a result of correction to prior period financial statements.

13. SUBSEQUENT EVENTS

Subsequent to the end of the year, the City received \$1,095,633 in American Rescue Plan Act of 2021 (ARPA) funds, which is half of the City’s total allotment of \$2,191,266. The City intends to use the funds for eligible purposes specified by guidance issued by the Federal Government.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Calimesa
Notes to the Required Supplementary Information, Continued
For the year ended June 30, 2021

1. DEFINED BENEFIT PENSION PLAN

Schedule of the Agency's Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal year	2021	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.00886%	0.00789%	0.00789%	0.00808%	0.00790%	0.00710%	0.00710%
Proportionate share of the net pension liability	\$ 963,472	\$ 860,069	\$ 760,407	\$ 801,322	\$ 683,932	\$ 487,286	\$ 487,296
Covered payroll	\$ 929,097	\$ 802,415	\$ 821,901	\$ 699,490	\$ 697,838	\$ 835,197	\$ 610,159
Proportionate Share of the net pension liability as percentage of covered payroll	103.70%	107.19%	92.52%	114.56%	98.01%	58.34%	79.86%
Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

Notes to Schedule

*-Fiscal year 2015 was the 1st year of implementation, therefore seven years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

Schedule of Contributions - Last 10 Years*

Fiscal year	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 131,048	\$ 122,260	\$ 99,636	\$ 81,270	\$ 90,337	\$ 82,408	\$ 93,041
Contribution in relation to the actuarially determined contributions	(131,048)	(122,260)	(99,636)	(81,270)	(90,337)	(82,408)	(94,031)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 850,713	\$ 929,097	\$ 802,415	\$ 821,901	\$ 699,490	\$ 697,838	\$ 835,197
Contributions as a percentage of covered payroll	15.40%	13.16%	12.42%	9.89%	12.91%	11.81%	11.26%

*-Fiscal year 2015 was the 1st year of implementation, therefore seven years are shown.

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation:	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

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

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

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

City of Calimesa

Notes to the Required Supplementary Information, Continued

For the year ended June 30, 2021

2. BUDGETARY INFORMATION

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

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

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

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,480,004	\$ 6,009,098	\$ 6,319,178	\$ 310,080
Licenses & permits	666,701	1,045,736	1,128,913	83,177
Fines & forfeitures	37,000	29,175	24,119	(5,056)
Intergovernmental	2,200	206,393	204,762	(1,631)
Charges for services	358,182	358,502	368,499	9,997
Development fees	727,357	758,561	809,443	50,882
Interest Income	62,100	50,875	43,170	(7,705)
Other	20,000	93,240	78,689	(14,551)
Total revenues	7,353,544	8,551,580	8,976,773	425,193
EXPENDITURES:				
Current:				
General government	1,483,587	1,763,521	1,448,050	315,471
Public safety	4,168,474	4,615,171	4,082,263	532,908
Public works	398,229	555,362	479,883	75,479
Community development	787,587	981,075	831,953	149,122
Parks and recreation	167,583	163,743	154,587	9,156
Total expenditures	7,005,460	8,078,872	6,996,736	1,082,136
REVENUES OVER EXPENDITURES	348,084	472,708	1,980,037	\$ 1,507,329
OTHER FINANCING SOURCES (USES):				
Transfers out	(70,000)	(114,000)	(114,000)	-
Total other financing sources (uses)	(70,000)	(114,000)	(114,000)	-
Net change in fund balance	\$ 278,084	\$ 358,708	1,866,037	\$ 1,507,329
FUND BALANCE:				
Beginning of year			5,548,938	
End of year			\$ 7,414,975	

City of Calimesa

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

Measure A Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 154,000	\$ 188,000	\$ 238,612	\$ 50,612
Investment earnings	7,500	5,500	3,523	(1,977)
Total revenues	161,500	193,500	242,135	48,635
EXPENDITURES:				
Current:				
Public works	132,320	986,320	657,378	328,942
Total expenditures	132,320	986,320	657,378	328,942
REVENUES OVER (UNDER) EXPENDITURES	29,180	(792,820)	(415,243)	377,577
OTHER FINANCING SOURCES (USES):				
Transfers in	-	44,000	44,000	-
Total other financing sources (uses)	-	44,000	44,000	-
Net change in fund balance	\$ 29,180	\$ (748,820)	(371,243)	\$ 377,577
FUND BALANCE:				
Beginning of year			800,660	
End of year			\$ 429,417	

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,073,812	\$ 16,701,603	\$ 169,902	\$ (16,531,701)
Development fees	4,186,950	4,907,258	2,942,462	(1,964,796)
Investment earnings	98,000	75,500	63,276	(12,224)
Total revenues	5,358,762	21,684,361	3,175,640	(18,508,721)
EXPENDITURES:				
Current:				
General government	105,631	284,401	241,969	42,432
Public safety	7,988	24,066	24,065	1
Public works	3,673,235	22,747,966	1,247,177	21,500,789
Parks and recreation	5,557	5,557	5,557	-
Library	3,359	15,859	4,349	11,510
Debt service:				
Principal	37,910	37,910	37,910	-
Interest and fiscal charges	10,864	12,064	11,557	507
Total expenditures	3,844,544	23,127,823	1,572,584	21,555,239
REVENUES OVER (UNDER) EXPENDITURES	1,514,218	(1,443,462)	1,603,056	3,046,518
OTHER FINANCING SOURCES (USES):				
Transfers in	149,582	299,705	-	(299,705)
Total other financing sources (uses)	149,582	299,705	-	(299,705)
Net change in fund balance	\$ 1,663,800	\$ (1,143,757)	1,603,056	\$ 2,746,813
FUND BALANCE:				
Beginning of year, as restated			10,708,464	
End of year			<u>\$ 12,311,520</u>	

SUPPLEMENTARY INFORMATION

City of Calimesa
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2021

	Special Revenues Funds				
	Supplemental Law Enforcement Grant	Housing Rehab- State	Library	Transportation Air Quality Improvements	Gas Tax
Assets					
Cash and investments	\$ 71,488	\$ 119,804	\$ 367,198	\$ 28,094	\$ -
Receivables:					
Accounts	-	-	-	-	-
Intergovernmental	-	-	-	3,097	27,972
Loans	-	848,706	-	-	-
Total assets	\$ 71,488	\$ 968,510	\$ 367,198	\$ 31,191	\$ 27,972
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities:					
Accounts payable and accrued liabilities	\$ 11,208	\$ -	\$ 2,564	\$ -	\$ 3,661
Unearned revenues	-	-	38,899	-	-
Due to other funds	-	-	-	-	1,013
Deposits	-	-	38,963	-	-
Total liabilities	11,208	-	80,426	-	4,674
Deferred Inflow of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balance:					
Restricted	60,280	968,510	286,772	31,191	23,298
Assigned	-	-	-	-	-
Total fund balance	60,280	968,510	286,772	31,191	23,298
Total liabilities, deferred inflows of resources, and fund balance	\$ 71,488	\$ 968,510	\$ 367,198	\$ 31,191	\$ 27,972

Special Revenues Funds					Capital Projects		Total Nonmajor Governmental Funds
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	Planning Grants	General Capital Projects Fund		
\$ 16,680	\$ 16,947	\$ 61,749	\$ 328,136	\$ -	\$ 60,327	\$ 1,070,423	
2,639	-	-	31,516	38,608	-	72,763	
-	-	-	-	-	-	31,069	
-	-	374,290	-	-	-	1,222,996	
<u>\$ 19,319</u>	<u>\$ 16,947</u>	<u>\$ 436,039</u>	<u>\$ 359,652</u>	<u>\$ 38,608</u>	<u>\$ 60,327</u>	<u>\$ 2,397,251</u>	
\$ 6,222	\$ -	\$ -	\$ -	\$ 34,089	\$ -	\$ 57,744	
-	-	-	-	-	-	38,899	
-	-	-	-	4,519	-	5,532	
-	-	-	-	-	-	38,963	
<u>6,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,608</u>	<u>-</u>	<u>141,138</u>	
1,501	-	-	-	-	-	1,501	
<u>1,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,501</u>	
11,596	16,947	436,039	359,652	-	-	2,194,285	
-	-	-	-	-	60,327	60,327	
<u>11,596</u>	<u>16,947</u>	<u>436,039</u>	<u>359,652</u>	<u>-</u>	<u>60,327</u>	<u>2,254,612</u>	
\$ 19,319	\$ 16,947	\$ 436,039	\$ 359,652	\$ 38,608	\$ 60,327	\$ 2,397,251	

City of Calimesa
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenues Funds				
	Supplemental Law Enforcement Grant	Housing Rehab- State	Library	Transportation Air Quality Improvements	Gas Tax
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	156,727	-	35,067	12,182	217,826
Investment earnings	328	645	1,986	118	176
Total Revenues	157,055	645	37,053	12,300	218,002
Expenditures					
Current:					
Public safety	149,798	-	-	-	-
Public works	-	2,768	-	-	211,828
Community services and development	-	-	-	70	-
Library	-	-	16,957	-	-
Total Expenditures	149,798	2,768	16,957	70	211,828
Excess (Deficit) of Revenues Over Expenditures	7,257	(2,123)	20,096	12,230	6,174
Other Financing Sources (Uses)					
Transfers in (Note 4)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	7,257	(2,123)	20,096	12,230	6,174
Fund Balance - Beginning of year	53,023	970,633	266,676	18,961	17,124
Fund Balance - End of year	\$ 60,280	\$ 968,510	\$ 286,772	\$ 31,191	\$ 23,298

Special Revenues Funds					Capital Projects		Total Nonmajor Governmental Funds
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	Planning Grants	General Capital Projects Fund		
\$ 99,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,612	
-	5,000	-	172,946	38,608	-	638,356	
9	67	-	1,308	-	297	4,934	
99,621	5,067	-	174,254	38,608	297	742,902	
47,876	-	-	-	-	-	197,674	
116,254	-	12,129	-	-	-	342,979	
-	-	-	-	38,608	-	38,678	
-	-	-	-	-	-	16,957	
164,130	-	12,129	-	38,608	-	596,288	
(64,509)	5,067	(12,129)	174,254	-	297	146,614	
65,000	-	-	-	-	5,000	70,000	
65,000	-	-	-	-	5,000	70,000	
491	5,067	(12,129)	174,254	-	5,297	216,614	
11,105	11,880	448,168	185,398	-	55,030	2,037,998	
\$ 11,596	\$ 16,947	\$ 436,039	\$ 359,652	\$ -	\$ 60,327	\$ 2,254,612	

City of Calimesa

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

Special Law Enforcement Grant Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 148,500	\$ 148,500	\$ 156,727	\$ 8,227
Investment earnings	500	350	328	(22)
Total revenues	<u>149,000</u>	<u>148,850</u>	<u>157,055</u>	<u>8,205</u>
EXPENDITURES:				
Current:				
Public safety	<u>163,181</u>	<u>158,683</u>	<u>149,798</u>	<u>8,885</u>
Total expenditures	<u>163,181</u>	<u>158,683</u>	<u>149,798</u>	<u>8,885</u>
Net change in fund balance	<u>\$ (14,181)</u>	<u>\$ (9,833)</u>	<u>7,257</u>	<u>\$ 17,090</u>
FUND BALANCE:				
Beginning of year			<u>53,023</u>	
End of year			<u>\$ 60,280</u>	

City of Calimesa

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

Housing Rehab - State

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 3,500	\$ -	\$ (3,500)
Investment earnings	600	700	645	(55)
Total revenues	600	4,200	645	(3,555)
EXPENDITURES:				
Current:				
Public works	-	3,500	2,768	732
Total expenditures	-	3,500	2,768	732
Net change in fund balance	\$ 600	\$ 700	(2,123)	\$ (2,823)
FUND BALANCE:				
Beginning of year			970,633	
End of year			\$ 968,510	

City of Calimesa

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

Library Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 33,413	\$ 35,067	\$ 35,067	\$ -
Charges for services	3,000	396	-	(396)
Investment earnings	4,300	2,600	1,986	(614)
Other	1,000	500	-	(500)
Total revenues	41,713	38,563	37,053	(1,510)
EXPENDITURES:				
Current:				
Library	31,788	18,188	16,957	1,231
Total expenditures	31,788	18,188	16,957	1,231
Net change in fund balance	\$ 9,925	\$ 20,375	20,096	\$ (279)
FUND BALANCE:				
Beginning of year			266,676	
End of year			\$ 286,772	

City of Calimesa

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

Transportation Air Quality Improvement Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 11,300	\$ 11,700	\$ 12,182	\$ 482
Charges for services	-	-	-	-
Investment earnings	200	130	118	(12)
Other income	-	1,870	-	(1,870)
Total revenues	11,500	13,700	12,300	(1,400)
EXPENDITURES:				
Current:				
Community development	1,200	1,200	70	1,130
Total expenditures	1,200	1,200	70	1,130
Net change in fund balance	\$ 10,300	\$ 12,500	12,230	\$ (270)
FUND BALANCE:				
Beginning of year			18,961	
End of year			\$ 31,191	

City of Calimesa

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 221,130	\$ 217,959	\$ 217,826	\$ (133)
Investment earnings	100	175	176	1
Total revenues	<u>221,230</u>	<u>218,134</u>	<u>218,002</u>	<u>(132)</u>
EXPENDITURES:				
Current:				
Public works	215,850	224,450	211,828	12,622
Total expenditures	<u>215,850</u>	<u>224,450</u>	<u>211,828</u>	<u>12,622</u>
Net change in fund balance	<u>\$ 5,380</u>	<u>\$ (6,316)</u>	6,174	<u>\$ 12,490</u>
FUND BALANCE:				
Beginning of year			<u>17,124</u>	
End of year			<u>\$ 23,298</u>	

City of Calimesa

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

Lighting/Landscape District Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 95,000	\$ 95,000	\$ 99,612	\$ 4,612
Investment earnings	100	100	9	(91)
Total revenues	95,100	95,100	99,621	4,521
EXPENDITURES:				
Current:				
Public safety	41,700	41,700	47,876	(6,176)
Public works	128,940	128,940	116,254	12,686
Total expenditures	170,640	170,640	164,130	6,510
REVENUES OVER (UNDER) EXPENDITURES	(75,540)	(75,540)	(64,509)	11,031
OTHER FINANCING SOURCES (USES):				
Transfers in	65,000	65,000	65,000	-
Total other financing sources (uses)	65,000	65,000	65,000	-
Net change in fund balance	\$ (10,540)	\$ (10,540)	491	\$ 11,031
FUND BALANCE:				
Beginning of year			11,105	
End of year			<u>\$ 11,596</u>	

City of Calimesa

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

Recycling Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Investment earnings	150	150	67	(83)
Total revenues	5,150	5,150	5,067	(83)
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ 5,150	\$ 5,150	5,067	\$ (83)
FUND BALANCE:				
Beginning of year			\$ 11,880	
End of year			<u>16,947</u>	

City of Calimesa

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

Housing Rehab - Federal

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public works	-	-	12,129	(12,129)
Total expenditures	<u>-</u>	<u>-</u>	<u>12,129</u>	<u>(12,129)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(12,129)</u>	<u>(12,129)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(12,129)</u>	<u>\$ (12,129)</u>
FUND BALANCE:				
Beginning of year, as restated			<u>448,168</u>	
End of year			<u>\$ 436,039</u>	

City of Calimesa

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

Road Maintenance and Rehab Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 157,412	\$ 160,000	\$ 172,946	\$ 12,946
Investment earnings	500	1,300	1,308	8
Total revenues	157,912	161,300	174,254	12,954
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	157,912	161,300	174,254	12,954
OTHER FINANCING SOURCES (USES):				
Transfers out	(149,582)	(299,705)	-	299,705
Total other financing sources (uses)	(149,582)	(299,705)	-	299,705
Net change in fund balance	\$ 8,330	\$ (138,405)	174,254	\$ 312,659
FUND BALANCE:				
Beginning of year			185,398	
End of year			\$ 359,652	

City of Calimesa

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

Planning Grants Special Revenue Fund

For the year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 225,000	\$ 38,608	\$ (186,392)
Investment earnings	-	-	-	-
Total revenues	-	225,000	38,608	(186,392)
EXPENDITURES:				
Current:				
Community services and development	-	225,000	38,608	186,392
Total expenditures	-	225,000	38,608	186,392
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Calimesa, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Calimesa, California's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

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

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

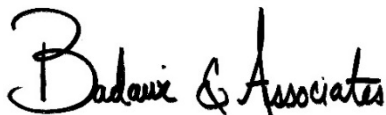
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

Badawi & Associates, CPAs
Berkeley, California
December 15, 2021