

# City of Calimesa

Calimesa, California

*Annual Audit Report and Financial  
Statements*

*For the year ended June 30, 2020*



**City of Calimesa**  
**Annual Audit Report and Financial Statements**  
**For the year ended June 30, 2020**

**Table of Contents**

---

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Table of Contents .....	i
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditor’s Report</b> .....	1
<b>Management Discussion and Analysis</b> .....	5
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	18
Statement of Activities .....	19
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet .....	24
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	26
Statement of Revenues, Expenditures and Changes in Fund Balances .....	28
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities .....	30
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position .....	32
Statement of Changes in Fiduciary Net Position .....	33
Notes to Basic Financial Statements.....	35
<b>Required Supplementary Information:</b>	
Defined Benefit Pension Plan .....	62
Budgetary Information .....	63
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund – Budgetary basis .....	64
Schedule of Revenues, Expenditures and Changes in Fund Balances - Measure A Fund – Budgetary basis .....	65
Schedule of Revenues, Expenditures and Changes in Fund Balances - Mitigation Fees Special Revenue Fund – Budgetary basis .....	66

**City of Calimesa**  
**Annual Audit Report and Financial Statements**  
**For the year ended June 30, 2019**

**Table of Contents, Continued**

---

---

**Supplementary Information:**

Non-Major Governmental Funds:

Combining Balance Sheet.....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	70
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Special Law Enforcement Grant Special Revenue Fund .....	72
Housing Rehab - State .....	73
Library Special Revenue Fund .....	74
Transportation Air Quality Improvement Special Revenue Fund .....	75
Gas Tax Special Revenue Fund .....	76
Lighting/Landscape District Special Revenue Fund.....	77
Recycling Special Revenue Fund .....	78
Housing Rehab - Federal .....	79
Road Maintenance and Rehab Special Revenue Fund .....	80

Independent Auditor's 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.....	81
---	----



## 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, 2020, 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, 2020, 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 62-65 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*

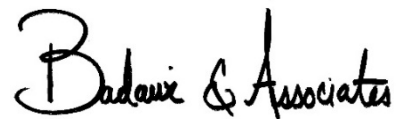
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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  
Page 3

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020 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 and Associates  
Certified Public Accountants  
Berkeley, CA  
December 17, 2020

*This page intentionally left blank*



# City of Calimesa

## Management's Discussion and Analysis

### For the year ended June 30, 2020

---

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, 2019. 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, 2020, the City assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$36.7 million. Approximately 50% 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 \$6.2 million.
- At June 30, 2020, the City's governmental funds reported combined ending fund balance of \$19.1 million, an increase of \$4.3 million compared to prior fiscal year.
- The City's General Fund balance increased by \$1.6 million during fiscal year 2019-20.

#### 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, 2020**

---

**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 an agency fund that accounts for the aggregate activity in the City's Community Facilities Districts (CFD), as well as a private purpose trust fund to account for the activity of the Successor Agency to the City.

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

**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, 2020 and 2019.

**Comparative Statements of Net Position**  
**June 30, 2020 and 2019**

	Governmental Activities	
	2020	2019
<b>Assets:</b>		
Cash and investments	\$ 20,030,247	\$ 14,989,790
Other assets	2,759,939	2,649,722
Capital assets, net	18,771,969	16,859,745
<b>Total Assets</b>	<b>41,562,155</b>	<b>34,499,257</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflow - contribution	122,260	99,636
Deferred outflow - pension related amounts	156,214	161,716
<b>Total Deferred Outflows of Resources</b>	<b>278,474</b>	<b>261,352</b>
<b>Liabilities:</b>		
Long-term liabilities	1,422,928	1,331,367
Other liabilities	3,603,717	2,798,205
<b>Total Liabilities</b>	<b>5,026,645</b>	<b>4,129,572</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflow - pension related amounts	95,704	80,691
<b>Total Deferred Inflows of Resources</b>	<b>95,704</b>	<b>80,691</b>
<b>Net Position:</b>		
Net investment in capital assets	18,432,458	16,483,500
Restricted	13,496,948	10,802,381
Unrestricted	4,788,874	3,264,465
<b>Total Net Position</b>	<b>\$ 36,718,280</b>	<b>\$ 30,550,346</b>

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

---

**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 \$36.7 million. This is an increase of \$6.2 million or 20% 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, \$18.4 million, or 50%, 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 \$339,511 with relation to capital assets.

Another portion of the City's Net Position, \$13.5 million, or 37%, 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 \$4.8 million, or 13%, represents unrestricted Net Position, which may be used to finance daily operations without constraints established by debt covenants or other legal requirements.

The City's cash and investments increased by \$5,040,457.

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

**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, 2020 and 2019.

**Comparative Statements of Activities and Changes in Net Position**  
**June 30, 2020 and 2019**

	Governmental Activities	
	2020	2019
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 2,835,669	\$ 2,465,047
Operating grants and contributions	672,952	2,116,261
Capital grants and contributions	5,567,411	3,777,434
Total program revenues	<u>9,076,032</u>	<u>8,358,742</u>
General revenues:		
Taxes:		
General property taxes	3,033,732	2,799,581
Sales tax	948,672	974,574
Motor vehicle in-lieu	987,685	906,292
Franchise fees	444,372	390,096
Transient occupancy tax	72,640	77,152
Business Licenses	49,610	40,007
Use of money and property	317,449	234,234
Miscellaneous	66,122	112,805
Total general revenues	<u>5,920,282</u>	<u>5,534,741</u>
<b>Total Revenues</b>	<u>14,996,314</u>	<u>13,893,483</u>
<b>Expenses:</b>		
General government	\$ 1,402,650	\$ 1,201,506
Public safety	4,310,318	3,650,678
Public works	1,117,094	1,056,136
Community development	1,715,417	1,594,916
Parks and recreation	237,127	209,390
Library	45,774	33,703
<b>Total Expenses</b>	<u>8,828,380</u>	<u>7,746,329</u>
Increase (decrease) in net position	6,167,934	6,147,154
Prior Period Adjustments	-	190,680
Net position - beginning	30,550,346	24,212,512
Net position - ending	<u>\$ 36,718,280</u>	<u>\$ 30,550,346</u>

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The City's expenses totaled \$8.8 million in fiscal year 2019-20. These expenses were more than offset by program revenues of \$9.1 million and general revenues of \$5.9 million. This resulted in an increase in Net Position of \$6.2 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 increased by \$1.8 million mainly due to an increase in development mitigation fees collected in 2019-20. In addition, charges for services increased by \$0.5 million largely due to a significant increase in development related activity. Operating Grants and Contributions decreased by \$1.6 million mainly due to the closeout of both Federal and State Housing rehabilitation grants being closed out in 2018-19. Overall, program revenues increased by \$0.7 million.

**General Revenues -** The overall increase from the prior year is 7.0%. This is mainly due to an 8.4% increase in property taxes, an 9.0% increase in motor vehicle-lieu as well as a steady increase in franchise fees and business license revenue. In addition, investment earnings increased by 36%, or \$83,215. However, it should be noted that due to COVID-19 and the restrictions placed on businesses, which were imposed by the Governor in final quarter of 2019-20, both sales tax and transient occupancy declined overall; \$25,902, or 2.7%, and \$4,512, or 5.8%, respectively.

**Expenses -** Expenses increased in total by \$1,082,051, or 14.0%. There are a number of fluctuations occurring which include every expense category increasing. The most significant increases include \$201,144 in general government and \$659,640 in public safety. During 2019-20, the City experienced a devastating wildfire, as well as COVID-19 and civil unrest. The costs associated with the Emergency Operations Center (EOC) response to these events are accounted for in general government. These costs make up much of the increase in that category. With relation to public safety, the cost of both police and fire increased during 2019-20 due to normal increases in operating expenses, personnel response to the above noted EOC activations, as well as the fire department purchasing a new mini pumper for approximately \$167,000.

**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, 2020, the City's combined governmental fund balances were \$19.1 million, an increase of \$4.3 million, or 29%, over the prior fiscal year. Of this amount, approximately \$13.5 million represents restricted fund balance, \$2.0 million represents committed fund balance, and \$0.5 million represents assigned fund balance. The balance represents unassigned fund balance of \$3.0 million.

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

---

**FUND FINANCIAL ANALYSIS, Continued**

Governmental revenues in fiscal year 2019-20 were \$14.9 million. This was an increase of \$1.0 million from fiscal year 2018-19. Although there were both increases and decreases in various categories, taxes, charges for service, development fees and investment earnings all saw increases due to substantial development activity. However, intergovernmental revenue declined sharply due to a one-time payment in 2018-19, as well as the close-out of two housing rehabilitation grants during the prior year as well.

Governmental expenditures in fiscal year 2019-20 were \$10.6 million, an increase of \$2.4 million over the prior fiscal year. The increase, 29.6%, is mainly due to public works costs related to capital improvement projects, an increase in public safety costs, as well as uptick in community development costs associated with the increased level of development activity.

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, 2020, the General Fund had a total fund balance of \$5,548,938, which consisted of nonspendable fund balance of \$996, committed fund balance of \$2,203,646 representing amounts set aside by City Council for emergencies and economic stability (calculated as 30% of annual expenditures), assigned fund balance for insurance of \$136,045, assigned fund balance for equipment replacement of \$340,687, and unassigned fund balance of \$2,867,564.

The total fund balance of the City's General Fund increased by \$1,598,868 when compared to fiscal year 2018-19. Revenues exceeded expenditures by \$1,658,868, while other financing sources resulted in a decrease of \$60,000. Revenues increased by \$800,238 and expenditures increased by \$978,756 from the prior year. The increase in revenues, an overall 10.5%, was spread throughout all categories with the most significant being a \$315,036 increase in licenses and permits, as well as a \$287,310 increase in taxes. The 16.9%, or \$978,576, increase in overall expenditures was due to increases in every expenditure category. The noteworthy areas include public safety with an increase of \$519,632 and community services and development with an increase of \$214,207. Although there was an increase in the City's contract with the County Sheriff's Department of approximately 4.9%, the majority of the upswing in cost related to an increase in Fire Department overtime as a result of multiple EOC activations and mutual aid assignments during the year, and one-time costs associated with certain equipment and facility repairs. All other expenditure increases are considered within normal parameters.

**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 decreased by \$25,849, while expenditures decreased by \$27,470. The decrease in revenue was associated with the reduction in grant revenue after the close-out of a project in early 2019-20. All other revenues were consistent with prior year. With regard to expenditures, many projects planned in 2019-20 did not commence until late in the year and the budgetary remainder has been carried forward into 2020-21 for completion.

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

---

**FUND FINANCIAL ANALYSIS, Continued**

**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. The expenditures, however, can vary greatly from year to year as city-initiated projects for infrastructure and equipment purchases are moved forward. As noted previously in this report, in fiscal year 2019-20, development related activity, once again, increased from the prior year levels. Both commercial and residential building permits continue to be issued. Revenues increased over prior year by \$708,654 and expenditures were up by \$1,424,413. This fund saw a net increase in fund balance of \$2,425,705 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 2019-20 was increased during the year by \$841,014 in an effort to capture actual operating results in various revenue categories. The expenditure budgets were also amended as an increase to account for unanticipated expenditures of \$1,097,088. Actual expenditures for the fiscal year were \$600,839 under the amended budget mainly due to savings in fire department costs, as well as unspent dollars remaining from the allocations for EOC activations during the year. Actual revenues were \$593,460 higher than the final amended budget due primarily to an increase in taxes and development related revenues.

**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, 2020, the City's capital assets used in governmental activities amounted to \$18.8 million, net of depreciation.



**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2020**

**CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued**

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

	Governmental Activities	
	2020	2019
Land	\$ 1,918,401	\$ 1,918,401
Construction in Progress	4,069,803	1,884,544
Buildings and Improvements	4,258,214	4,227,953
Infrastructure:		
Road Network	12,822,744	12,655,924
Equipment	1,288,939	1,115,772
Capital assets before depreciation	24,358,101	21,802,594
Less: accumulated depreciation (excludes land)	(5,586,132)	(4,942,849)
Total net capital assets	<u>\$ 18,771,969</u>	<u>\$ 16,859,745</u>

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

***Long-term Obligations***

At June 30, 2020, the City had long-term liabilities outstanding of \$562,859 compared to \$570,960 in the prior year. The lease payable was reduced while the compensated absences obligation increased. This resulted in a net decrease of \$8,101. The City's long-term debt obligations at June 30, 2020 and 2019 were as follows:

	Governmental Activities	
	2020	2019
Compensated Absences	\$ 223,348	\$ 194,715
Capital Lease Payable	339,511	376,245
Total	<u>\$ 562,859</u>	<u>\$ 570,960</u>

Not included in the above total outstanding debt amount is the Successor Agency Trust. At June 30, 2020, there was \$2,360,000 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, 2020**

---

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's adopted budget for 2020-21 recognized that:

- The events of 2019-20 are continuing to play a role and have an economic impact into 2020-21; namely COVID-19, civil unrest and California wildfires.
- The City continues to experience strong development activity.
- The adopted budget reflects very conservative revenue estimates given the uncertainty of the 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, will be key to sustaining service levels and long-term fiscal stability.
- Development will continue to play a major role in 2020-21 in the areas of revenue generation, infrastructure and staffing levels.
- The adopted FY 2020-21 budget projects an approximate 68% General Fund reserve level at June 30, 2021, 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**

---

*This page intentionally left blank*

---

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

---

**City of Calimesa**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments (Note 2)	\$ 20,030,247
Receivables:	
Taxes	478,872
Interest	70,631
Due from the Successor Agency	72,839
Due from other governments	796,126
Prepaid expenses	996
Note receivable	1,340,475
Capital assets not being depreciated (Note 5)	5,988,204
Capital assets being depreciated, net (Note 5)	12,783,765
<b>Total Assets</b>	<b>41,562,155</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pension contribution	122,260
Deferred outflow - pension related amounts	156,214
<b>Total Deferred outflows of resources</b>	<b>278,474</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,288,908
Accrued payroll	59,031
Deposits	2,208,046
Unearned revenue	47,732
Noncurrent liabilities:	
Due within one year	82,580
Due in more than one year	480,279
Net pension liability	860,069
<b>Total Liabilities</b>	<b>5,026,645</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pension related amounts	95,704
<b>Total Deferred inflows of resources</b>	<b>95,704</b>
<b>Net Position</b>	
Net investment in capital assets	18,432,458
Restricted:	
Legally restricted - Street and Road Improvements	800,660
Regulatory/grant restrictions	1,982,968
Legally restricted - Dev. Impact fees	10,713,320
Unrestricted	4,788,874
<b>Total Net Position</b>	<b>\$ 36,718,280</b>

See accompanying Notes to Basic Financial Statements.

**City of Calimesa**  
**Statement of Activities**  
**For the year ended June 30, 2020**

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
<b>Primary Government:</b>						
<b>Governmental activities:</b>						
General government	\$ 1,402,650	\$ 295,774	\$ 7,728	\$ -	\$ 303,502	\$ (1,099,148)
Public safety	4,310,318	51,528	155,947	-	207,475	(4,102,843)
Public works	1,117,094	1,106,025	464,426	5,567,411	7,137,862	6,020,768
Community services and development	1,715,417	1,382,342	11,438	-	1,393,780	(321,637)
Parks and recreation	237,127	-	-	-	-	(237,127)
Library	45,774	-	33,413	-	33,413	(12,361)
<b>Total governmental activities</b>	<b>\$ 8,828,380</b>	<b>\$ 2,835,669</b>	<b>\$ 672,952</b>	<b>\$ 5,567,411</b>	<b>\$ 9,076,032</b>	<b>247,652</b>
<b>General Revenues:</b>						
Taxes:						
Property						3,033,732
Sales tax						948,672
Motor vehicle in-lieu						987,685
Franchise fees						444,372
Transient occupancy taxes						72,640
Business Licenses						49,610
Total Taxes						5,536,711
Unrestricted investment earnings						317,449
Other						66,122
<b>Total general revenues</b>						<b>5,920,282</b>
<b>Change in net position</b>						<b>6,167,934</b>
<b>Net position - beginning of year</b>						<b>30,550,346</b>
<b>Net position - end of year</b>						<b>\$ 36,718,280</b>

See accompanying Notes to Basic Financial Statements.

*This page intentionally left blank*



---

# FUND FINANCIAL STATEMENTS

---

*Governmental Fund Financial Statements*

*Fiduciary Fund Financial Statements*

*This page intentionally left blank*

## 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 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, 2020**

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
<b>Assets</b>			
Cash and investments	\$ 7,872,026	\$ 769,650	\$ 10,657,955
Receivables:			
Taxes	451,684	-	-
Intergovernmental	-	36,067	677,326
Interest	70,631	-	-
Loans	-	-	-
Prepaid expenses	996	-	-
Due from the Successor Agency	72,839	-	-
<b>Total assets</b>	<b>\$ 8,468,176</b>	<b>\$ 805,717</b>	<b>\$ 11,335,281</b>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	632,898	5,057	621,961
Accrued payroll	59,031	-	-
Unearned revenues	9,230	-	-
Deposits	2,169,083	-	-
<b>Total liabilities</b>	<b>2,870,242</b>	<b>5,057</b>	<b>621,961</b>
<b>Deferred Inflow of Resources:</b>			
Unavailable revenues	48,996	-	-
<b>Total Deferred inflows of resources</b>	<b>48,996</b>	<b>-</b>	<b>-</b>
<b>Fund Balance:</b>			
Nonspendable	996	-	-
Restricted	-	800,660	10,713,320
Committed for:			
Emergencies and economic stabilization	2,023,394	-	-
Assigned for:			
Capital projects	-	-	-
Insurance	136,045	-	-
Equipment replacement	340,687	-	-
Unassigned	3,047,816	-	-
<b>Total fund balance</b>	<b>5,548,938</b>	<b>800,660</b>	<b>10,713,320</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>\$ 8,468,176</b>	<b>\$ 805,717</b>	<b>\$ 11,335,281</b>

See accompanying Notes to Basic Financial Statements.

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 730,616	\$ 20,030,247
27,188	478,872
82,733	796,126
-	70,631
1,340,475	1,340,475
-	996
-	72,839
<u>\$ 2,181,012</u>	<u>\$ 22,790,186</u>
28,992	1,288,908
-	59,031
38,502	47,732
38,963	2,208,046
<u>106,457</u>	<u>3,603,717</u>
36,557	85,553
<u>36,557</u>	<u>85,553</u>
-	996
1,982,968	13,496,948
-	2,023,394
55,030	55,030
-	136,045
-	340,687
-	3,047,816
<u>2,037,998</u>	<u>19,100,916</u>
<u>\$ 2,181,012</u>	<u>\$ 22,790,186</u>

# City of Calimesa

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2020

---

---

<b>Total Fund Balance - Governmental Funds</b>	\$	19,100,916
--	----	------------

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	5,988,204
Capital assets being depreciated, net	12,783,765
Total capital assets	<u>18,771,969</u>

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

85,553

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

122,260

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.

60,510

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

Compensated absences	(223,348)
Capital lease payable	(339,511)
Net pension liability	<u>(860,069)</u>

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>36,718,280</u></b>
--	-----------	--------------------------

---

---

*This page intentionally left blank*

# City of Calimesa

## Statements of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended June 30, 2020

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
<b>Revenues</b>			
Taxes	\$ 5,346,443	\$ -	\$ -
Licenses and permits	1,431,952	-	-
Fines and forfeitures	51,528	-	-
Intergovernmental	7,728	201,312	98,175
Charges for services	295,774	-	-
Development fees	1,106,025	-	5,366,099
Investment earnings	108,239	13,563	183,630
Other	55,825	-	-
<b>Total Revenues</b>	<b>8,403,514</b>	<b>214,875</b>	<b>5,647,904</b>
<b>Expenditures</b>			
Current:			
General government	1,265,204	-	7,125
Public safety	3,867,431	-	174,269
Public works	438,719	88,536	2,319,811
Community services and development	1,014,278	-	663,408
Parks and recreation	159,014	-	4,768
Library	-	-	2,917
Debt service:			
Principal	-	-	36,734
Interest and fiscal charges	-	-	13,167
<b>Total Expenditures</b>	<b>6,744,646</b>	<b>88,536</b>	<b>3,222,199</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,658,868</b>	<b>126,339</b>	<b>2,425,705</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(60,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(60,000)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	1,598,868	126,339	2,425,705
<b>Fund Balance - Beginning of year</b>	<b>3,950,070</b>	<b>674,321</b>	<b>8,287,615</b>
<b>Fund Balance - End of year</b>	<b>\$ 5,548,938</b>	<b>\$ 800,660</b>	<b>\$ 10,713,320</b>

See accompanying Notes to Basic Financial Statements.



Total Nonmajor Governmental Funds		Total Governmental Funds	
\$	94,835	\$	5,441,278
	-		1,431,952
	-		51,528
	567,049		874,264
	-		295,774
	-		6,472,124
	12,017		317,449
	10,297		66,122
	<u>684,198</u>		<u>14,950,491</u>
	-		1,272,329
	186,226		4,227,926
	363,609		3,210,675
	3,079		1,680,765
	-		163,782
	42,857		45,774
	-		36,734
	-		13,167
	<u>595,771</u>		<u>10,651,152</u>
	88,427		4,299,339
	60,000		60,000
	-		(60,000)
	<u>60,000</u>		-
	148,427		4,299,339
	1,889,571		14,801,577
\$	<u>2,037,998</u>	\$	<u>19,100,916</u>

## 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, 2020

---

---

Net change in fund balance - governmental funds \$ 4,299,339

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. 2,555,507

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. (643,283)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 45,823

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. 122,260

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (219,813)

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 36,734

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. (28,633)

**Change in net position of governmental activities**

\$ 6,167,934

# FIDUCIARY FUND FINANCIAL STATEMENTS

## **Agency Funds**

*Community Facilities Districts Agency Fund* accounts for assets held by the City for various Community Facility Districts.

## **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, 2020**

	<b>Community Facilities Districts</b>	<b>Successor Agency Trust Fund</b>
<b>Assets</b>		
Cash and investments	\$ 2,083,699	\$ -
Cash and investments with fiscal agent - restricted	2,934,023	211,266
Receivables:		
Taxes	22,378	-
<b>Total assets</b>	<b>\$ 5,040,100</b>	<b>211,266</b>
<b>Deferred outflows of resources</b>		
Deferred loss on refunding		83,147
<b>Total deferred outflows of resources</b>		<b>83,147</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 10,348	\$ -
Deposits	29,105	-
Due to City of Calimesa	-	72,839
Due to bondholders	5,000,647	-
Noncurrent liabilities:		
Due within one year	-	105,000
Due in more than one year	-	2,273,173
<b>Total liabilities</b>	<b>\$ 5,040,100</b>	<b>2,451,012</b>
<b>Net Position</b>		
Unrestricted		(2,156,599)
<b>Net position</b>		<b>\$ (2,156,599)</b>

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, 2020**

---

	<u>Successor Agency Trust Fund</u>
<b>Additions</b>	
Intergovernmental revenue	\$ 294,791
Investment earnings	3,135
Total additions	<u>297,926</u>
<b>Deductions</b>	
Administration	99,484
Interest	91,016
Total deductions	<u>190,500</u>
Change in Net Position	107,426
<b>Net Position - beginning, as restated</b>	<u>(2,264,025)</u>
<b>Net Position - ending</b>	<u><u>\$ (2,156,599)</u></u>

*This page intentionally left blank*

---

# NOTES TO BASIC FINANCIAL STATEMENTS

---

**City of Calimesa**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

---

**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, 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.



**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Government-wide and fund financial statements, Continued***

Additionally, the City reports the following fund types:

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

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**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 one type of fiduciary funds, 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, 2020**

---

**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, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**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 estimated fair market 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, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

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.

**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.

*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 nine hundred and sixty 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, City Manager can elect conversion to service credit.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

*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 two hundred and forty 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.

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.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**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 on-time activity.

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

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**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.

*E. New Pronouncements*

The City did not adopt any new accounting pronouncements in fiscal year 2020.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2020, are classified in the accompanying financial statements as follows.

	Primary Government		Total
	Governmental	Fiduciary	
	Activities	Funds	
Deposits and investments	\$ 20,030,247	\$ 2,083,699	\$ 22,113,946
Cash and investments held with fiscal agent	-	3,145,289	3,145,289
<b>Total cash and investments</b>	<b>\$ 20,030,247</b>	<b>\$ 5,228,988</b>	<b>\$ 25,259,235</b>

Cash on hand	\$ 400
Deposits with financial institution	620,856
Total cash on hand and deposits	621,256
Local Agency Investment funds	21,492,690
Total investments	21,492,690
Total City Treasury	22,113,946
Cash and investments with fiscal agent	3,145,289
Total cash and investments	\$ 25,259,235

**A. Deposits**

The carrying amount of the City's cash deposit was \$620,856 at June 30, 2020. Bank balances before reconciling items were \$1,158,451 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.



**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**2. CASH AND INVESTMENTS, Continued**

**A. Deposits, Continued**

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.

**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	None
Certificates of Deposit	2 years	15%	None
FNMA (Fannie Mae)	5 years	75%	None
GNMA (Ginnie Mae)	5 years	20%	None

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**2. CASH AND 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	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase/Investment Agreement	None	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund	N/A	None	None
FHA Obligations Guaranteed by U.S. Government	None	None	None
Federal Funds	180 days	None	None
Negotiable Certificate of Deposit	180 days	None	None
Time Deposits	180 days	None	None
FDIC Insured Deposits	None	None	None

*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	\$ 21,492,690	\$ 21,492,690
Total Investments	\$ 21,492,690	\$ 21,492,690

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**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	\$ 21,492,690	N/A	\$ 21,492,690
Total Investments	\$ 21,492,690		\$ 21,492,690

*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, 2020**

**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, 2020 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, 2020, the City had \$21,492,690 invested in LAIF, which had invested 3.27% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.0049212795 was used to calculate the fair value of the investments in LAIF.

**3. INTERFUND TRANSFERS**

The composition of interfund transfers for the fiscal year ended June 30, 2020 were as follows:

		Transfers In	
		Non Major Governmental Funds	Total
Transfers Out	<b>Major Fund:</b>		
	General Fund	\$ 60,000	\$ 60,000
	Total	<u>\$ 60,000</u>	<u>\$ 60,000</u>

The most significant transfers which occurred were: \$55,000 from General Fund to Non-Major Governmental Funds to fund Lighting/Landscape District activities and \$5,000 for capital projects.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**4. CAPITAL ASSETS**

A summary of changes in capital assets at June 30, 2020 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,918,401	\$ -	\$ -	\$ 1,918,401
Construction in progress	1,884,544	2,324,723	139,464	4,069,803
Total capital assets not being depreciated	<u>3,802,945</u>	<u>2,324,723</u>	<u>139,464</u>	<u>5,988,204</u>
Capital assets being depreciated:				
Building and improvements	4,227,953	30,261	-	4,258,214
Machinery and equipment	1,115,772	173,167	-	1,288,939
Road network	12,655,924	166,820	-	12,822,744
Total capital assets being depreciated	<u>17,999,649</u>	<u>370,248</u>	<u>-</u>	<u>18,369,897</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,041,582)	(111,236)	-	(1,152,818)
Machinery and equipment	(567,182)	(87,472)	-	(654,654)
Road network	(3,334,085)	(444,575)	-	(3,778,660)
Total accumulated depreciation	<u>(4,942,849)</u>	<u>(643,283)</u>	<u>-</u>	<u>(5,586,132)</u>
Total capital assets, being depreciated, net	<u>13,056,800</u>	<u>(273,035)</u>	<u>-</u>	<u>12,783,765</u>
Governmental activities capital assets, net	<u>\$ 16,859,745</u>	<u>\$ 2,051,688</u>	<u>\$ 139,464</u>	<u>\$ 18,771,969</u>

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

General government	\$ 4,135
Public safety	82,392
Public works	461,926
Community services and development	21,485
Parks and recreation	73,345
Total depreciation expense - governmental activities	<u>\$ 643,283</u>

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**5. LONG-TERM LIABILITIES**

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2020:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year	Due in more than one year
Compensated Absences	\$ 194,715	\$ 79,735	\$ 51,102	\$ 223,348	\$ 44,670	\$ 178,678
Capital Lease Payable	376,245	-	36,734	339,511	37,910	301,601
Total Long-Term Liabilities	<u>\$ 570,960</u>	<u>\$ 79,735</u>	<u>\$ 87,836</u>	<u>\$ 562,859</u>	<u>\$ 82,580</u>	<u>\$ 480,279</u>

*Compensated absences*

For the governmental funds, accumulated vacation, and compensatory time payable, excluding the current portion of \$44,670 at June 30, 2020, was \$178,678. 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, 2020, were as follows:

Fiscal Year Ending June 30	Amount
2021	\$ 48,774
2022	48,774
2023	48,774
2024	48,774
2025	48,774
2026-2028	146,322
Total lease payment	\$ 390,192
Less: amount representing interest	(50,681)
Present value of minimum lease payments	<u>\$ 339,511</u>

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**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](http://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, 2020 are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to	On or after
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	6.910%	6.250%
Required employer contribution rates	8.563%	6.985%
Required employer dollar UAL payment (annual)	\$50,305	\$971

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**6. EMPLOYEE RETIREMENT PLANS, 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2019, the employer contributions recognized against net pension liability for the Plan were \$99,636

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$860,069.

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, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.007890%
Proportion - June 30, 2019	<u>0.008390%</u>
Change - Increase (Decrease)	<u><u>0.000500%</u></u>

For the year ended June 30, 2020, the City recognized pension expense of \$219,813.



**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**6. EMPLOYEE RETIREMENT PLANS, Continued**

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

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 122,260	\$ -
Changes of assumptions	41,012	14,538
Differences between expected and actual experience	59,736	4,628
Changes in employer's proportion	55,466	-
Differences between the employer's contribution and the employer's proportionate share of contributions		61,501
Net differences between projected and actual earnings on plan investments	-	15,037
Total	<u>\$ 278,474</u>	<u>\$ 95,704</u>

\$122,260 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, 2021. 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:	
2021	\$ 60,169
2022	(9,181)
2023	6,483
2024	3,039

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**6. EMPLOYEE RETIREMENT PLANS, 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, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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, 2020**

**6. EMPLOYEE RETIREMENT PLANS, 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 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
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	\$	1,450,530
Current Discount Rate		7.15%
Net Pension Liability	\$	860,069
1% Increase		8.15%
Net Pension Liability	\$	372,686

**D. Payable to the Pension Plan**

At June 30, 2020, the City reported a payable of \$4,095 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**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 contribute 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, 2020, the City contributed \$46,776 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.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**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, 2020**

**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, 2020:

Description	Beginning balance (as restated)	Additions	Deletions	Ending balance	Due within one year
Bonds					
2014 Series bonds, Refunding	\$ 2,465,000	\$ -	\$ (105,000)	\$ 2,360,000	\$ 105,000
Deferred amounts					
For issuance premium, relating to 2014 bonds	24,099	-	(5,926)	18,173	-
Total Bonds	\$ 2,489,099	\$ -	\$ (110,926)	\$ 2,378,173	\$ 105,000

**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	Principal	Interest
Ending June 30		
2021	\$ 105,000	\$ 87,238
2022	110,000	83,038
2023	115,000	78,638
2024	120,000	74,038
2025	125,000	68,038
2026-2030	685,000	279,670
2031-2035	810,000	151,726
2036-2039	290,000	20,600
Total	\$ 2,360,000	\$ 842,986

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

**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, 2020, the amount held in the reserve account was \$211,266 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. COMMITMENTS AND CONTINGENCIES**

The City has a loan 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.

**11. PRIOR PERIOD ADJUSTMENT**

The City recorded the following prior period adjustment to correct the balance of long-term liabilities reported in prior year:

	Net Position, as Previously Reported at June 30, 2019	Prior Period Adjustments <u>Long-term Liabilities</u>	Net Position, as Restated at June 30, 2019
Fiduciary Funds			
Successor Agency Trust	\$ (2,364,025)	\$ 100,000	\$ (2,264,025)

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2020**

---

**12. SUBSEQUENT EVENT**

In September 2020, the City issued the City of Calimesa Community Facilities District No. 2018-1 (Summerwind Trails) Special Tax Bonds, 2020 Series (Improvement Area No. 1) (the "Bonds") 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 City of Calimesa Community Facilities District No. 2018-1 (Summerwind Trails). 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.

**13. COVID-19 PANDEMIC**

On March 4, 2020, the Governor of California declared a statewide emergency due to COVID-19. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic; and on March 13, 2020, the President of the United States declared the spread of COVID-19 a national emergency. On March 16, the Calimesa City Council proclaimed a local state of emergency. That emergency declaration is still in place.

As part of the Governor's declaration, many businesses were forced to shut down, or operate in a significantly modified manner. Regardless of which category businesses fell into, the impacts to local businesses have been devastating. Calimesa City Hall, along with its Senior Center and parks, were closed to the public and remain closed. Business is being conducted remotely and by appointment. Although the City of Calimesa has seen a decline in sales tax and transient occupancy tax, other revenue sources, such as development related revenue, has continued to steadily increase and more than offset these revenue declines. The City has not included any contingencies in the financial statements specific to this issue.



---

**REQUIRED  
SUPPLEMENTARY INFORMATION**

---

**City of Calimesa**  
**Notes to the Required Supplementary Information, Continued**  
**For the year ended June 30, 2020**

**1. DEFINED BENEFIT PENSION PLAN**

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

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

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

Schedule of Contributions - Last 10 Years\*

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

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

**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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 5,178,725	\$ 5,302,206	\$ 5,346,443	\$ 44,237
Licenses & permits	568,000	1,119,587	1,431,952	312,365
Fines & forfeitures	21,948	39,057	51,528	12,471
Intergovernmental	2,200	8,834	7,728	(1,106)
Charges for services	290,742	292,127	295,774	3,647
Development fees	838,925	944,743	1,106,025	161,282
Interest Income	48,500	83,500	108,239	24,739
Other	20,000	20,000	55,825	35,825
<b>Total revenues</b>	<b>6,969,040</b>	<b>7,810,054</b>	<b>8,403,514</b>	<b>593,460</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,248,672	1,478,703	1,265,204	213,499
Public safety	3,910,944	4,335,802	3,867,431	468,371
Public works	341,346	472,656	438,719	33,937
Community development	600,260	906,349	1,014,278	(107,929)
Parks and recreation	147,175	151,975	159,014	(7,039)
<b>Total expenditures</b>	<b>6,248,397</b>	<b>7,345,485</b>	<b>6,744,646</b>	<b>600,839</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>720,643</b>	<b>464,569</b>	<b>1,658,868</b>	<b>\$ 1,194,299</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(60,000)	(85,000)	(60,000)	25,000
<b>Total other financing sources (uses)</b>	<b>(60,000)</b>	<b>(85,000)</b>	<b>(60,000)</b>	<b>25,000</b>
<b>Net change in fund balance</b>	<b>\$ 660,643</b>	<b>\$ 379,569</b>	<b>1,598,868</b>	<b>\$ 1,219,299</b>
<b>FUND BALANCE:</b>				
Beginning of year			3,950,070	
End of year			\$ 5,548,938	

# 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 182,000	\$ 182,000	\$ 201,312	\$ 19,312
Investment earnings	11,000	9,000	13,563	4,563
<b>Total revenues</b>	<b>193,000</b>	<b>191,000</b>	<b>214,875</b>	<b>23,875</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	489,560	866,095	88,536	777,559
<b>Total expenditures</b>	<b>489,560</b>	<b>866,095</b>	<b>88,536</b>	<b>777,559</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(296,560)</b>	<b>(675,095)</b>	<b>126,339</b>	<b>801,434</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	25,000	-	(25,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>(25,000)</b>
<b>Net change in fund balance</b>	<b>\$ (296,560)</b>	<b>\$ (650,095)</b>	<b>126,339</b>	<b>\$ 776,434</b>
<b>FUND BALANCE:</b>				
Beginning of year			674,321	
End of year			<u>\$ 800,660</u>	

# 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 2,373,500	\$ 15,725,977	\$ 98,175	(15,627,802)
Development fees	4,569,949	4,479,880	5,366,099	886,219
Investment earnings	87,700	140,000	183,630	43,630
<b>Total revenues</b>	<b>7,031,149</b>	<b>20,345,857</b>	<b>5,647,904</b>	<b>(14,697,953)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	15,417	19,417	7,125	12,292
Community development	-	-	663,408	(663,408)
Public safety	7,102	217,102	174,269	42,833
Public works	5,469,912	20,821,932	2,319,811	18,502,121
Parks and recreation	4,768	4,768	4,768	-
Library	15,417	15,417	2,917	12,500
Debt service:				
Principal	36,733	36,733	36,734	(1)
Interest and fiscal charges	12,041	12,041	13,167	(1,126)
<b>Total expenditures</b>	<b>5,561,390</b>	<b>21,127,410</b>	<b>3,222,199</b>	<b>17,905,211</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,469,759</b>	<b>(781,553)</b>	<b>2,425,705</b>	<b>3,207,258</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	150,123	150,123	-	(150,123)
<b>Total other financing sources (uses)</b>	<b>150,123</b>	<b>150,123</b>	<b>-</b>	<b>(150,123)</b>
<b>Net change in fund balance</b>	<b>\$ 1,619,882</b>	<b>\$ (631,430)</b>	<b>2,425,705</b>	<b>\$ 3,057,135</b>
<b>FUND BALANCE:</b>				
Beginning of year			8,287,615	
End of year			\$ 10,713,320	

*This page intentionally left blank*

---

# **SUPPLEMENTARY INFORMATION**

---

**City of Calimesa**  
**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2020**

	Special Revenues Funds			
	Supplemental Law Enforcement Grant	Housing Rehab-State	Library	Transportation Air Quality Improvements
<b>Assets</b>				
Cash and investments	\$ 40,703	\$ 78,446	\$ 346,892	\$ 16,095
Receivables:				
Accounts	-	-	-	-
Intergovernmental	25,000	-	35,067	2,866
Loans	-	892,307	-	-
<b>Total assets</b>	<b>\$ 65,703</b>	<b>\$ 970,753</b>	<b>\$ 381,959</b>	<b>\$ 18,961</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 12,680	\$ 120	\$ 2,751	\$ -
Unearned revenues	-	-	38,502	-
Deposits	-	-	38,963	-
<b>Total liabilities</b>	<b>12,680</b>	<b>120</b>	<b>80,216</b>	<b>-</b>
<b>Deferred Inflow of Resources:</b>				
Unavailable revenues	-	-	35,067	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>35,067</b>	<b>-</b>
<b>Fund Balance:</b>				
Restricted	53,023	970,633	266,676	18,961
Assigned	-	-	-	-
<b>Total fund balance</b>	<b>53,023</b>	<b>970,633</b>	<b>266,676</b>	<b>18,961</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 65,703</b>	<b>\$ 970,753</b>	<b>\$ 381,959</b>	<b>\$ 18,961</b>



Special Revenues Funds					Capital Projects	Total Nonmajor Governmental Funds
Gas Tax	Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	General Capital Projects Fund	
\$ 2,916	\$ 17,480	\$ 11,880	\$ -	\$ 161,174	\$ 55,030	\$ 730,616
-	2,964	-	-	24,224	-	27,188
19,800	-	-	-	-	-	82,733
-	-	-	448,168	-	-	1,340,475
<u>\$ 22,716</u>	<u>\$ 20,444</u>	<u>\$ 11,880</u>	<u>\$ 448,168</u>	<u>\$ 185,398</u>	<u>\$ 55,030</u>	<u>\$ 2,181,012</u>
\$ 5,592	\$ 7,849	\$ -	\$ -	\$ -	\$ -	\$ 28,992
-	-	-	-	-	-	38,502
-	-	-	-	-	-	38,963
<u>5,592</u>	<u>7,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,457</u>
-	1,490	-	-	-	-	36,557
-	1,490	-	-	-	-	36,557
17,124	11,105	11,880	448,168	185,398	-	1,982,968
-	-	-	-	-	55,030	55,030
<u>17,124</u>	<u>11,105</u>	<u>11,880</u>	<u>448,168</u>	<u>185,398</u>	<u>55,030</u>	<u>2,037,998</u>
<u>\$ 22,716</u>	<u>\$ 20,444</u>	<u>\$ 11,880</u>	<u>\$ 448,168</u>	<u>\$ 185,398</u>	<u>\$ 55,030</u>	<u>\$ 2,181,012</u>

# City of Calimesa

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

### Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenues Funds			
	Supplemental Law Enforcement Grant	Housing Rehab-State	Library	Transportation Air Quality Improvements
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	155,947	-	33,413	11,438
Investment earnings	1,154	1,164	6,195	219
Other	-	-	-	-
<b>Total Revenues</b>	<b>157,101</b>	<b>1,164</b>	<b>39,608</b>	<b>11,657</b>
<b>Expenditures</b>				
Current:				
Public safety	145,845	-	-	-
Public works	-	2,293	-	-
Community services and development	-	-	-	3,079
Library	-	-	42,857	-
<b>Total Expenditures</b>	<b>145,845</b>	<b>2,293</b>	<b>42,857</b>	<b>3,079</b>
Excess (Deficit) of Revenues Over Expenditures	11,256	(1,129)	(3,249)	8,578
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 4)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	11,256	(1,129)	(3,249)	8,578
<b>Fund Balance - Beginning of year, as restated</b>	<b>41,767</b>	<b>971,762</b>	<b>269,925</b>	<b>10,383</b>
<b>Fund Balance - End of year</b>	<b>\$ 53,023</b>	<b>\$ 970,633</b>	<b>\$ 266,676</b>	<b>\$ 18,961</b>

Special Revenues Funds					Capital Projects	Total Nonmajor Governmental Funds
Gas Tax	Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Road Maintenance and Rehab	General Capital Projects Fund	
\$ -	\$ 94,835	\$ -	\$ -	\$ -	\$ -	\$ 94,835
207,618	-	-	-	158,633	-	567,049
125	124	420	-	1,712	904	12,017
10,297	-	-	-	-	-	10,297
218,040	94,959	420	-	160,345	904	684,198
-	40,381	-	-	-	-	186,226
207,385	134,325	19,606	-	-	-	363,609
-	-	-	-	-	-	3,079
-	-	-	-	-	-	42,857
207,385	174,706	19,606	-	-	-	595,771
10,655	(79,747)	(19,186)	-	160,345	904	88,427
-	55,000	-	-	-	5,000	60,000
-	55,000	-	-	-	5,000	60,000
10,655	(24,747)	(19,186)	-	160,345	5,904	148,427
6,469	35,852	31,066	448,168	25,053	49,126	1,889,571
\$ 17,124	\$ 11,105	\$ 11,880	\$ 448,168	\$ 185,398	\$ 55,030	\$ 2,037,998

**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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 140,000	\$ 148,312	\$ 155,947	\$ 7,635
Investment earnings	500	900	1,154	254
<b>Total revenues</b>	<u>140,500</u>	<u>149,212</u>	<u>157,101</u>	<u>7,889</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>157,691</u>	<u>153,341</u>	<u>145,845</u>	<u>7,496</u>
<b>Total expenditures</b>	<u>157,691</u>	<u>153,341</u>	<u>145,845</u>	<u>7,496</u>
<b>Net change in fund balance</b>	<u>\$ (17,191)</u>	<u>\$ (4,129)</u>	11,256	<u>\$ 15,385</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>41,767</u>	
End of year			<u>\$ 53,023</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 1,612	\$ -	\$ (1,612)
Investment earnings	-	800	1,164	364
<b>Total revenues</b>	<b>-</b>	<b>2,412</b>	<b>1,164</b>	<b>(1,248)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	2,812	2,293	519
<b>Total expenditures</b>	<b>-</b>	<b>2,812</b>	<b>2,293</b>	<b>519</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (400)</b>	<b>(1,129)</b>	<b>\$ (729)</b>
<b>FUND BALANCE:</b>				
Beginning of year			971,762	
End of year			<u>\$ 970,633</u>	

**City of Calimesa**

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

**Library Special Revenue Fund**

**For the year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 29,000	\$ 33,413	\$ 33,413	\$ -
Charges for Services	3,500	3,666	-	(3,666)
Investment earnings	4,300	6,000	6,195	195
Other	-	1,200	-	(1,200)
<b>Total revenues</b>	<b>36,800</b>	<b>44,279</b>	<b>39,608</b>	<b>(4,671)</b>
<b>EXPENDITURES:</b>				
Current:				
Library	29,978	53,584	42,857	10,727
<b>Total expenditures</b>	<b>29,978</b>	<b>53,584</b>	<b>42,857</b>	<b>10,727</b>
<b>Net change in fund balance</b>	<b>\$ 6,822</b>	<b>\$ (9,305)</b>	<b>(3,249)</b>	<b>\$ 6,056</b>
<b>FUND BALANCE:</b>				
Beginning of year			269,925	
End of year			\$ 266,676	

**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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 11,300	\$ 11,300	\$ 11,438	\$ 138
Investment earnings	250	250	219	(31)
<b>Total revenues</b>	<b>11,550</b>	<b>11,550</b>	<b>11,657</b>	<b>107</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	3,079	3,079	3,079	-
<b>Total expenditures</b>	<b>3,079</b>	<b>3,079</b>	<b>3,079</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ 8,471</b>	<b>\$ 8,471</b>	<b>8,578</b>	<b>\$ 107</b>
<b>FUND BALANCE:</b>				
Beginning of year			10,383	
End of year			<b>\$ 18,961</b>	

# 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 227,204	\$ 208,215	\$ 207,618	\$ (597)
Investment earnings	100	150	125	(25)
Other	10,010	10,297	10,297	-
<b>Total revenues</b>	<b>237,314</b>	<b>218,662</b>	<b>218,040</b>	<b>(622)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	221,748	210,089	207,385	2,704
<b>Total expenditures</b>	<b>221,748</b>	<b>210,089</b>	<b>207,385</b>	<b>2,704</b>
<b>Net change in fund balance</b>	<b>\$ 15,566</b>	<b>\$ 8,573</b>	<b>10,655</b>	<b>\$ 2,082</b>
<b>FUND BALANCE:</b>				
Beginning of year			6,469	
End of year			<b>\$ 17,124</b>	



**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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 88,000	\$ 95,000	\$ 94,835	\$ (165)
Investment earnings	-	130	124	(6)
<b>Total revenues</b>	<b>88,000</b>	<b>95,130</b>	<b>94,959</b>	<b>(171)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	41,500	41,500	40,381	1,119
Public works	122,765	133,943	134,325	(382)
<b>Total expenditures</b>	<b>164,265</b>	<b>175,443</b>	<b>174,706</b>	<b>737</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(76,265)</b>	<b>(80,313)</b>	<b>(79,747)</b>	<b>566</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	55,000	55,000	55,000	-
<b>Total other financing sources (uses)</b>	<b>55,000</b>	<b>55,000</b>	<b>55,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (21,265)</b>	<b>\$ (25,313)</b>	<b>(24,747)</b>	<b>\$ 566</b>
<b>FUND BALANCE:</b>				
Beginning of year			35,852	
End of year			<u>\$ 11,105</u>	

**City of Calimesa**

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

**Recycling Fund**

**For the year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 5,000	\$ -	\$ -	\$ -
Investment earnings	150	300	420	120
<b>Total revenues</b>	<b>5,150</b>	<b>300</b>	<b>420</b>	<b>120</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	17,786	19,606	(1,820)
<b>Total expenditures</b>	<b>-</b>	<b>17,786</b>	<b>19,606</b>	<b>(1,820)</b>
<b>Net change in fund balance</b>	<b>\$ 5,150</b>	<b>\$ (17,486)</b>	<b>(19,186)</b>	<b>\$ (1,700)</b>
<b>FUND BALANCE:</b>				
Beginning of year			\$ 31,066	
End of year			<u>11,880</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE:</b>				
Beginning of year, as restated			<u>448,168</u>	
End of year			<u>\$ 448,168</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 146,912	\$ 152,551	\$ 158,633	\$ 6,082
Investment earnings	500	800	1,712	912
<b>Total revenues</b>	<b>147,412</b>	<b>153,351</b>	<b>160,345</b>	<b>6,994</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>147,412</b>	<b>153,351</b>	<b>160,345</b>	<b>6,994</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(150,123)	(150,123)	-	150,123
<b>Total other financing sources (uses)</b>	<b>(150,123)</b>	<b>(150,123)</b>	<b>-</b>	<b>150,123</b>
<b>Net change in fund balance</b>	<b>\$ (2,711)</b>	<b>\$ 3,228</b>	<b>160,345</b>	<b>\$ 157,117</b>
<b>FUND BALANCE:</b>				
Beginning of year			25,053	
End of year			<b>\$ 185,398</b>	



**INDEPENDENT AUDITOR’S 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**

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, 2020, 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 17, 2020.

**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.

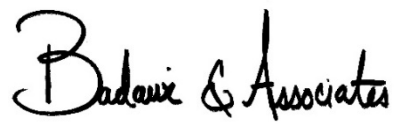
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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



Badawi and Associates  
Certified Public Accountants  
Berkeley, California  
December 17, 2020