

City of La Mesa La Mesa, California

Basic Financial Statements and Independent Auditor's Report

For the Year Ended June 30, 2023



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CITY OF LA MESA
Basic Financial Statements
For the Year Ended June 30, 2023

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Independent Auditor's Report

To the Honorable Mayor and Members of City Council
City of La Mesa, California

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements during the year ended June 30, 2023, the City adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
April 11, 2025

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CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

As management of the City of La Mesa (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and attached notes.

Financial Highlights

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources (net position) by \$180.5 million at the close of fiscal year 2023. Due to the City's long-term net pension liability and Other Post-Employment Benefits (OPEB) liability, the City reported a negative unrestricted net position of \$29.5 million.
- The City's total net position increased \$11.3 million from the prior fiscal year. The City increased its net position even with the rising costs of long term impacts of pension accounting as required by GASB 68.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$93.3 million, an increase of \$12.7 million from the prior year. Approximately 53.1% of this amount or \$49.5 million is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the General Fund unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was \$53.1 million, or approximately 89% of actual General Fund expenditures.
- The City's capital assets (net of depreciation) increased by \$2.9 million and total outstanding long-term liabilities increased by \$38.8 million during the current fiscal year. This was mostly due to the pension liability accounting adjustments.

Overview of the Financial Statements

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

Government-wide financial statements. The Government-wide Financial Statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City's net position and how it has changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether the City's financial health is improving or deteriorating.

The Government-wide Financial Statements of the City are divided into two categories:

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

- Governmental activities – Most of the City's basic services, such as police, fire, public works, community development, community services, and internal services are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- Business-type activities – The City charges fees to customers to cover the cost of certain services it provides. The City's wastewater operations is the business-type activity.

The government-wide financial statements include the City (known as the *primary government*) and the La Mesa Public Financing Authority, a separate legal entity for which the City is financially accountable. The Public Financing Authority, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

Fund financial statements. The Fund Financial Statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices used by the City to keep track of specific sources of funding and spending for particular purposes.

Governmental funds. Most of the City's basic services are included in governmental funds. These funds are used to account for (1) cash and other financial assets that can readily be converted to cash, and (2) balances left at year-end that are available for future spending. Consequently, the Governmental Funds Statements provide a detailed short-term view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs. The statements are presented on a modified accrual basis of accounting. Reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided following each statement.

Proprietary funds.

Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like Government-wide Financial Statements, provide both long- and short-term financial information, and are presented on an accrual basis of accounting.

There are two types of propriety funds, enterprise funds and internal service funds:

Enterprise funds are used to report activities that provide business-type services, generally to external customers. City's wastewater operations fall under this criteria. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.

- Internal service funds are used to report activities that provide services and supplies for the City's other programs and activities, such as Employee Benefits, Workers' Compensation Insurance, Equipment Replacement, and Liability Risk Insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included with *governmental activities* in the government-wide financial statements.

Fiduciary funds. Included in fiduciary funds are private purpose trust funds. The private purpose trust funds were established in the wake of the dissolution of redevelopment. The private purpose trust funds account for the City of La Mesa Successor Agency and the La Mesa Redevelopment Obligation Retirement Fund.

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements and can be found in the Notes to the Basic Financial Statements section.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning financial and budgetary information for the general fund and the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Included in the required supplementary information is information related to the City's net pension liability net OPEB liability. All required supplementary information is found in the RSI section of this report.

Combining and individual fund statements and schedules for non-major governmental, internal service, and fiduciary funds are found in the supplementary information section of this report.

Condensed Statement of Net Position						
As of June 30,						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 145,606,902	\$ 137,426,324	\$ 5,551,873	\$ 6,544,956	\$ 151,158,775	\$ 143,971,280
Capital assets	166,084,323	166,037,688	38,233,302	35,517,549	204,317,625	201,555,237
Total assets	311,691,225	303,464,012	43,785,175	42,062,505	355,476,400	345,526,517
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	31,927,928	13,694,057	1,409,432	662,871	33,337,360	14,356,928
OPEB related	2,409,670	1,476,550	326,415	200,014	2,736,085	1,676,564
Loss on refunding	396,065	426,531	-	-	396,065	426,531
Total deferred outflows of resources	34,733,663	15,597,138	1,735,847	862,885	36,469,510	16,460,023
LIABILITIES						
Net pension liability	109,412,927	69,978,899	4,950,604	3,169,065	114,363,531	73,147,964
Net OPEB liability	1,475,821	443,813	199,915	60,119	1,675,736	503,932
Other long-term liabilities outstanding	26,087,430	27,741,254	11,434,234	11,582,262	37,521,664	39,323,516
Other current liabilities	24,014,126	22,742,992	1,526,416	1,402,002	25,540,542	24,144,994
Total liabilities	160,990,304	120,906,958	18,111,169	16,213,448	179,101,473	137,120,406
DEFERRED INFLOWS OF RESOURCES						
Pension related	2,663,881	23,870,378	78,295	319,692	2,742,176	24,190,070
OPEB related	977,883	1,683,599	132,465	228,061	1,110,348	1,911,660
Unearned revenue	707,437	730,119	-	-	707,437	730,119
Leases	27,747,273	28,787,401	-	-	27,747,273	28,787,401
Total deferred inflows of resources	32,096,474	55,071,497	210,760	547,753	32,307,234	55,619,250
NET POSITION						
Net investment in capital assets	144,716,039	143,675,693	25,518,104	22,827,894	170,234,143	166,503,587
Restricted	38,088,598	34,656,174	494,797	213,494	38,583,395	34,869,668
Unrestricted	(29,466,527)	(35,249,171)	1,186,192	3,122,801	(28,280,335)	(32,126,370)
Total net position	<u>\$ 153,338,110</u>	<u>\$ 143,082,696</u>	<u>\$ 27,199,093</u>	<u>\$ 26,164,189</u>	<u>\$ 180,537,203</u>	<u>\$ 169,246,885</u>

Analyzing total net position over time may serve as a useful indicator of a government's financial position. Increases or decreases in total net position indicate whether the financial position of the government is improving or deteriorating. As of June 30, 2023, the City's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$180.5 million. This is an increase of \$11.3 million over the last fiscal year ending June 30, 2022.

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

The largest portion of the City's total citywide net position, \$170.2 million, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The total net position for governmental activities is \$153.3 million as of June 30, 2023, of which \$38.1 million is classified as restricted for various obligations, which includes \$7.9 million for Section 115 pension obligations, \$8.5 million for capital projects, and other governmental activities as shown on the Statement of Net Position. The total restricted net position for governmental activities increased by \$3.4 million over the prior fiscal year.

The City's unrestricted (deficit) net position of its governmental activities is negative \$29.5 million on the Statement of Net Position as of June 30, 2023. However, this is an improvement of \$5.7 million over the prior fiscal year ending June 30, 2022, when the unrestricted (deficit) net position stood at \$35.2 million.

The largest fiscal impact to the City's governmental activities net position was the accounting treatment of net OPEB and net pension liabilities as of June 30, 2023. The total of net OPEB and net pension liabilities is \$110.9 million as of June 30, 2023, which is an increase of \$40.5 million over the prior fiscal year, due to changes in the discount rate used in the actuarial valuations.

Deferred outflows and inflows represent flows of resources into and out of a government that are *related to future periods*. In the case of deferred outflows and inflows of pension and OPEB-related resources, amounts arising from a single pension or OPEB-related source, that is, from differences between expected and actual experience with regard to economic or demographic factors, changes of assumptions, or differences between projected and actual earnings on pension plan investments, in different periods are reported as either deferred outflows or deferred inflows. Deferred outflows increase a City's net position while they are being deferred and, conversely, deferred inflows decrease a City's net position while they are being deferred. Additional information related to pensions and OPEB can be found in Note 14 and Note 11.

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

Condensed Statement of Activities							
For the Year Ended June 30,							
	Governmental Activities		Business-Type Activities		Total		
	2023	2022	2023	2022	2023	2022	
REVENUES							
Program revenues:							
Charges for services	\$ 10,009,014	\$ 7,939,155	\$ 13,675,770	\$ 12,849,117	\$ 23,684,784	\$ 20,788,272	
Operating grants and contributions	6,512,927	6,783,831	1,117,265	80,647	7,630,192	6,864,478	
Capital grants and contributions	4,010,452	2,637,108	-	-	4,010,452	2,637,108	
General revenues:							
Property taxes	20,605,575	18,292,171	-	-	20,605,575	18,292,171	
Sales taxes	31,037,133	30,167,279	-	-	31,037,133	30,167,279	
Other taxes	7,038,974	7,328,854	-	-	7,038,974	7,328,854	
Investment earnings	1,903,405	(2,591,908)	(333,262)	(163,384)	1,570,143	(2,755,292)	
Other	524,987	853,466	-	(22,218)	524,987	831,248	
Transfers	2,325,800	2,146,300	(2,325,800)	(2,146,300)	-	-	
Total revenues	83,968,267	73,556,256	12,133,973	10,597,862	96,102,240	84,154,118	
EXPENSES							
General government	9,593,588	9,264,707	-	-	9,593,588	9,264,707	
Police	26,294,528	21,938,671	-	-	26,294,528	21,938,671	
Fire	15,626,401	12,640,814	-	-	15,626,401	12,640,814	
Public works	14,651,146	13,835,151	-	-	14,651,146	13,835,151	
Community services	2,918,676	2,146,023	-	-	2,918,676	2,146,023	
Community development	3,357,093	3,451,332	-	-	3,357,093	3,451,332	
Interest on long-term debt	773,296	795,843	-	-	773,296	795,843	
Wastewater	-	-	11,470,004	9,724,858	11,470,004	9,724,858	
Total expenses	73,214,728	64,072,541	11,470,004	9,724,858	84,684,732	73,797,399	
Change in net position	10,753,539	9,483,715	663,969	873,004	11,417,508	10,356,719	
Net position, as previously stated	143,082,696	132,810,306	26,164,189	25,291,185	169,246,885	158,101,491	
Prior period adjustment	(498,125)	788,675	370,935	-	(127,190)	788,675	
Net position, beginning, as restated	142,584,571	133,598,981	26,535,124	25,291,185	169,119,695	158,890,166	
Net position, ending	\$ 153,338,110	\$ 143,082,696	\$ 27,199,093	\$ 26,164,189	\$ 180,537,203	\$ 169,246,885	

The net position from all activities increased by \$11.4 million, made up of an increase of \$10.7 million in Governmental activities and a \$0.6 million increase in business-type activities.

Governmental activities. Most of the City's basic services are included here. These services are funded primarily by taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and in some instances also by charges for services.

- Total governmental revenues exceeded expenses by approximately \$10.7 million. When compared to the previous year, total revenues were \$10.4 million or roughly 14 percent higher.
- Sales taxes increased \$0.8 million, operating grants and contributions decreased by \$270,000, investment earnings increased \$4.3 million, and property tax increased by \$2.3 million.
- When compared to the previous year, total expenses were \$9.1 million or 15 percent higher. Police and fire expenses increased \$4.3 million and \$2.9 million, respectively.
- Citywide governmental expenses are reported on an accrual basis and include items such as depreciation, long-term debt, interest payable, and true pension expense that are not reported in the fund financial statements.

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

Business-type activities. The City charges fees to customers to cover the cost of certain services it provides. The business type activities for the City include Wastewater which provides engineering, construction, administration, and maintenance of the City's wastewater system.

- Total revenues increased by \$1.5 million or 14 percent when compared to the prior year. Charges for services increased by \$0.8 million and operating grants and contributions increased by \$1 million.
- Wastewater expenses increased over the prior year by \$1.7 million or 18 percent mainly due to the increases in professional services, and maintenance.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's short-term outlook. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2023, the City's governmental funds reported combined fund balances of \$93.3 million, an increase of \$12.7 million from the prior year. Approximately 53 percent of this amount, or \$49 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either not in spendable form (\$5.4 million) or legally restricted for specific purposes (\$38.4 million).

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$69.8 million, of which \$53 million is considered unassigned fund balance and therefore available for discretionary use.

The remaining fund balance is made up of non-spendable fund balances of \$5.4 million and restricted fund balances of \$11.4 million.

Restricted fund balances are those resources that are subject to externally enforceable legal restrictions such as creditors, grantors, contributors and other governmental agencies. Restrictions also can arise when the authorization to raise revenues is conditioned upon the revenue being used for a particular purpose, pursuant to enabling legislation. At June 30, 2023, \$8.0 million is restricted for the Section 115 Pension Trust Account and \$3.4 million is restricted for encumbrances that remained outstanding at the end of the fiscal year.

Non-spendable fund balances are those assets that will never convert to cash (e.g., prepaid items and inventories of supplies), assets that will not convert to cash soon enough to affect the current period (e.g., the long-term portion of loans receivable), and resources that must be maintained intact pursuant to legal or contractual requirements. At June 30, 2023, the General Fund reported \$5.1 million in advances to other funds comprising of the remaining balance owed by the former Redevelopment Agency for the old police station site. Other non-spendable items were for inventories and prepaid items.

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

General Fund Budgetary Highlights

The revised General Fund revenue and transfers in budget for fiscal year ending June 30, 2023, was \$65.7 million. The actual revenues plus transfers were \$70.7 million including \$2.1 million of transfers into the General Fund. Actual revenues plus transfers increased by \$6.5 million compared to the \$63.0 actual revenues plus transfers from fiscal year 2022. Most of this revenue growth came from sales tax and property tax growth experienced in fiscal year ending June 30, 2023.

Almost all categories of General Fund revenues were received either at or above budgetary levels. Property taxes were received right on target at \$18.4 million. Sales tax and Prop L sales tax came in at a combined total of \$30.6 million, \$1.5 million over budget. Other taxes contributed \$6.8 million and above budget by \$1.6 million with cannabis business tax accounting for the majority of the increase.

The final General Fund expenditure budget for 2022-2023, including prior year carry forward encumbrances, was \$72.9 million. Actual expenditures and transfers out were \$61.4 million, under budgeted appropriations by \$11.6 million.

On an actual vs actual comparison, for the fiscal year ended June 30, 2023, the \$59.7 million in total General Fund expenditures represent an increase of 6.7% over the prior year total of \$55.9 million. General government expenditures decreased by 2.7%, from \$7.4 million in fiscal year 2023 down to \$7.2 million in fiscal year 2022. Public safety expenditures, which includes Police and Fire, increased by \$1.6 million, or 5% in fiscal year 2023, with total expenditures increasing from \$35.3 million in fiscal year 2022 to \$37.1 million in fiscal year 2023. All other General Fund department expenditures remained materially consistent on year over year basis in fiscal year 2022 compared with fiscal year 2023.

Capital Asset and Debt Administration

Capital assets. The City's total investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. This investment for its governmental and business type activities, net of accumulated depreciation, totaled \$204.3 million at June 30, 2023, an increase of \$2.9 million or 1 percent. Increases were primarily recorded in construction in progress.

	Capital Assets As of June 30,					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and right-of-way	\$ 27,304,163	\$ 27,304,163	\$ -	\$ -	\$ 27,304,163	\$ 27,304,163
Construction in progress	7,789,883	1,798,106	2,551,681	794,256	10,341,564	2,592,362
Buildings and improvements	29,058,403	32,668,252	-	-	29,058,403	32,668,252
Vehicles and equipment	8,608,758	8,295,706	857,871	1,007,412	9,466,629	9,303,118
Infrastructure	91,761,192	94,996,096	34,656,013	34,086,816	126,417,205	129,082,912
Right-to-use assets	1,561,924	477,241	167,737	-	1,729,661	477,241
Total	<u>\$ 166,084,323</u>	<u>\$ 165,539,564</u>	<u>\$ 38,233,302</u>	<u>\$ 35,888,484</u>	<u>\$ 204,317,625</u>	<u>\$ 201,428,048</u>

Additional information on the City's capital assets can be found in Note 6 in the Notes to Basic Financial Statements section of this report.

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

Long-term liabilities. At June 30, 2023, the City had long-term liabilities totaling \$37.8 million, a decrease of \$0.5 million.

	Long-Term Liabilities					
	As of June 30,					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Compensated absences	\$ 4,653,062	\$ 4,284,393	\$ -	\$ -	\$ 4,653,062	\$ 4,284,393
General obligation refunding bonds	16,865,000	17,705,000	-	-	16,865,000	17,705,000
Certificates of participation	1,710,000	2,065,000	-	-	1,710,000	2,065,000
TransNet commercial paper	-	499,988	-	-	-	499,988
Financed purchases payable	421,496	658,097	-	-	421,496	658,097
Leases/SBITA liabilities	1,475,868	473,996	162,316	-	1,638,184	473,996
State revolving fund loan	-	-	12,552,882	12,689,655	12,552,882	12,689,655
Total	\$ 25,125,426	\$ 25,686,474	\$ 12,715,198	\$ 12,689,655	\$ 37,840,624	\$ 38,376,129

The only new borrowing was a draw on the State Water Resources revolving fund loan which is utilized for funding of wastewater projects. The outstanding loan balance decreased by \$136,773, which is a combined effect of payment of \$1.1 million and an addition of \$0.9 million.

Additional information on the City's long-term debt including compensated absences can be found in Notes 7, 8, 9 and 10 in the Notes to Basic Financial Statements section of this report.

Economic Factors and Next Year's Budget

- The total assessed valuation in the City continues to increase in accord with the 1978 Proposition 13, which is based on the 1% of assessed value and a tax rate of 2% maximum growth rate per fiscal year. With the growth in residential resale activity, which creates a "step up" in assessed values, and continued spikes in housing prices, assessed values are growing consistently with those economic factors. Also, new residential construction remains robust even as recovery from the pandemic continues and chain supply interruptions are worked out. These strong positive gains in the fiscal capacity and tax base growth were reflected in the 2023-2024 biennial budget.
- Base sales tax (Bradly Burns) revenues were budgeted at \$17 million in fiscal year 2022-2023 and are estimated to remain flat for fiscal year 2023-2024.
- Fiscal year 2022-2023 was the fourteenth full year of collections for the Proposition L sales tax. This tax measure was passed by La Mesa voters on November 4, 2008, and became effective on April 1, 2009. Actual revenues for fiscal year 2022-2023 were above budgetary projections by \$606k. Proceeds from the Prop L sales tax measure are being used to maintain reserves at required levels, and City services that otherwise would have had to be reduced are being expanded to meet the service demands of the community.
- Cannabis business tax revenues were approved by the voters in November 2018 and implemented in July 2019. Actual Cannabis tax revenue totaled \$3.1 million, which exceeded expectations by \$1.1 million for 2022-2023. Budget projections for 2023-2025 remain at \$2 million each year.
- In 2015 the City established a Section 115 Retirement Trust Fund with an initial deposit of \$5.5 million using General Fund Reserves. Since its inception, the Section 115 Trust Fund has grown to \$7.9 million as of June 30, 2023 due to investment earnings. The City intends to use accumulated interest earnings to offset its unfunded pension liability as early as 2025.

CITY OF LA MESA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of La Mesa Finance Department, P.O. Box 937, 8130 Allison Avenue, La Mesa, CA 91944.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT–WIDE FINANCIAL STATEMENTS

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CITY OF LA MESA
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 83,696,483	\$ 4,876,873	\$ 88,573,356
Receivables:			
Accounts, net	7,449,453	180,203	7,629,656
Loans	371,934	-	371,934
Grants	2,135,367	-	2,135,367
Interest	455,634	-	455,634
Lease	29,216,586	-	29,216,586
Due from successor agency	315,067	-	315,067
Inventory	286,924	-	286,924
Prepaid items	1,971	-	1,971
Advances to other agency	5,080,004	-	5,080,004
Land held for resale	8,350,000	-	8,350,000
Total current assets	137,359,423	5,057,076	142,416,499
Noncurrent assets:			
Restricted cash and investments	8,247,479	494,797	8,742,276
Capital assets:			
Nondepreciable	35,094,046	2,551,681	37,645,727
Depreciable, net	130,990,277	35,681,621	166,671,898
Total capital assets	166,084,323	38,233,302	204,317,625
Total noncurrent assets	174,331,802	38,728,099	213,059,901
Total assets	311,691,225	43,785,175	355,476,400
Deferred Outflows of Resources			
Pension related	31,927,928	1,409,432	33,337,360
OPEB related	2,409,670	326,415	2,736,085
Loss on refunding	396,065	-	396,065
Total deferred outflows of resources	34,733,663	1,735,847	36,469,510
Liabilities			
Current liabilities:			
Accounts payable	4,824,094	81,180	4,905,274
Salaries payable	789,866	39,409	829,275
Deposits	3,722,774	-	3,722,774
Interest payable	342,139	124,863	467,002
Unearned revenue	9,204,017	-	9,204,017
Compensated absences payable - due within one year	3,140,000	-	3,140,000
Long-term liabilities - due within one year	716,236	110,996	827,232
Long-term debt - due within one year	1,275,000	1,169,968	2,444,968
Total current liabilities	24,014,126	1,526,416	25,540,542
Non-current liabilities:			
Claims and judgments payable	5,197,320	-	5,197,320
Compensated absences payable	1,513,062	-	1,513,062
Long-term liabilities - due in more than one year	1,181,128	51,320	1,232,448
Long-term debt - due in more than one year	18,195,920	11,382,914	29,578,834
Net pension liability	109,412,927	4,950,604	114,363,531
Net OPEB liability	1,475,821	199,915	1,675,736
Total noncurrent liabilities	136,976,178	16,584,753	153,560,931
Total liabilities	160,990,304	18,111,169	179,101,473
Deferred Inflows of Resources			
Pension related	2,663,881	78,295	2,742,176
OPEB related	977,883	132,465	1,110,348
Unearned revenue - housing loans	707,437	-	707,437
Leases	27,747,273	-	27,747,273
Total deferred inflows of resources	32,096,474	210,760	32,307,234
Net Position			
Net investment in capital assets	144,716,039	25,518,104	170,234,143
Restricted for:			
Investment in Section 115	7,938,631	-	7,938,631
General government	3,906,366	-	3,906,366
Public safety	1,458,365	-	1,458,365
Capital projects	8,512,963	-	8,512,963
Community services	161,913	-	161,913
Community development	12,522,446	-	12,522,446
Debt service	3,587,914	494,797	4,082,711
Total restricted	38,088,598	494,797	38,583,395
Unrestricted (deficit)	(29,466,527)	1,186,192	(28,280,335)
Total net position	\$ 153,338,110	\$ 27,199,093	\$ 180,537,203

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

CITY OF LA MESA
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Primary government:					
Governmental activities:					
General government	\$ 9,593,588	\$ 546,141	\$ 1,172,912	\$ -	\$ 1,719,053
Police	26,294,528	785,210	1,153,591	-	1,938,801
Fire	15,626,401	681,786	948,708	-	1,630,494
Public works	14,651,146	1,769,012	2,893,388	4,010,452	8,672,852
Community services	2,918,676	2,046,733	129,251	-	2,175,984
Community development	3,357,093	4,180,132	215,077	-	4,395,209
Interest on long-term debt	773,296	-	-	-	-
Total governmental activities	73,214,728	10,009,014	6,512,927	4,010,452	20,532,393
Business-type activities:					
Wastewater	11,470,004	13,675,770	1,117,265	-	14,793,035
Total business-type activities	11,470,004	13,675,770	1,117,265	-	14,793,035
Total primary government	\$ 84,684,732	\$ 23,684,784	\$ 7,630,192	\$ 4,010,452	\$ 35,325,428

General revenues:

Taxes:

Property taxes
Sales taxes
Franchise taxes
Motor vehicle license
Other taxes
Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, as previously stated

Prior period adjustment (Note 21)

Net position, beginning of year, as restated

Net position, end of year

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

(continued)

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (7,874,535)	\$ -	\$ (7,874,535)
(24,355,727)	-	(24,355,727)
(13,995,907)	-	(13,995,907)
(5,978,294)	-	(5,978,294)
(742,692)	-	(742,692)
1,038,116	-	1,038,116
(773,296)	-	(773,296)
(52,682,335)	-	(52,682,335)
-	3,323,031	3,323,031
-	3,323,031	3,323,031
(52,682,335)	3,323,031	(49,359,304)
20,605,575	-	20,605,575
31,037,133	-	31,037,133
2,247,197	-	2,247,197
61,994	-	61,994
4,729,783	-	4,729,783
58,681,682	-	58,681,682
1,903,405	(333,262)	1,570,143
524,987	-	524,987
2,325,800	(2,325,800)	-
63,435,874	(2,659,062)	60,776,812
10,753,539	663,969	11,417,508
143,082,696	26,164,189	169,246,885
(498,125)	370,935	(127,190)
142,584,571	26,535,124	169,119,695
\$ 153,338,110	\$ 27,199,093	\$ 180,537,203

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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CITY OF LA MESA
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Major Funds Transportation CIP	Miscellaneous Grants	Non-Major Governmental Funds	Totals
Assets					
Cash and investments	\$ 49,311,123	\$ -	\$ 8,896,785	\$ 18,062,358	\$ 76,270,266
Restricted:					
Cash and investments	-	-	-	160,251	160,251
Investment in Section 115 Trust	7,938,631	-	-	-	7,938,631
Receivables:					
Accounts	7,147,775	-	-	256,233	7,404,008
Loans	29,917	-	-	342,017	371,934
Grants	-	-	39,754	2,095,613	2,135,367
Interest	455,634	-	-	-	455,634
Lease	28,530,745	-	-	685,841	29,216,586
Due from other funds	3,604,184	-	-	-	3,604,184
Due from successor agency	315,067	-	-	-	315,067
Inventory	286,924	-	-	-	286,924
Prepaid items	1,971	-	-	-	1,971
Advances to other governments	5,080,004	-	-	-	5,080,004
Land held for resale	-	-	-	8,350,000	8,350,000
Total assets	<u>\$ 102,701,975</u>	<u>\$ -</u>	<u>\$ 8,936,539</u>	<u>\$ 29,952,313</u>	<u>\$ 141,590,827</u>
Liabilities					
Liabilities:					
Accounts payable	\$ 1,297,641	\$ 33,837	\$ 70,082	\$ 1,237,720	\$ 2,639,280
Salaries payable	765,601	-	-	20,983	786,584
Deposits	3,722,774	-	-	-	3,722,774
Due to other funds	-	1,888,999	-	1,588,987	3,477,986
Unearned revenue	-	-	9,204,017	-	9,204,017
Total liabilities	<u>5,786,016</u>	<u>1,922,836</u>	<u>9,274,099</u>	<u>2,847,690</u>	<u>19,830,641</u>
Deferred Inflows of Resources					
Unearned revenue - housing loans	-	-	-	707,437	707,437
Unavailable revenue - grants	-	-	-	21,267	21,267
Leases	27,115,580	-	-	631,693	27,747,273
Total deferred inflows of resources	<u>27,115,580</u>	<u>-</u>	<u>-</u>	<u>1,360,397</u>	<u>28,475,977</u>
Fund Balances					
Non-spendable:					
Inventory	286,924	-	-	-	286,924
Prepaid items	1,971	-	-	-	1,971
Advances to other governments	5,080,004	-	-	-	5,080,004
Restricted for:					
Investment in Section 115 Trust	7,938,631	-	-	-	7,938,631
General government	-	-	-	831,295	831,295
Public safety	-	-	-	1,458,365	1,458,365
Capital outlays	3,427,328	-	-	5,085,635	8,512,963
Community services	-	-	-	3,215,717	3,215,717
Community development	-	-	-	12,522,446	12,522,446
Debt service	-	-	-	3,919,525	3,919,525
Unassigned (deficit)	53,065,521	(1,922,836)	(337,560)	(1,288,757)	49,516,368
Total fund balances	<u>69,800,379</u>	<u>(1,922,836)</u>	<u>(337,560)</u>	<u>25,744,226</u>	<u>93,284,209</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 102,701,975</u>	<u>\$ -</u>	<u>\$ 8,936,539</u>	<u>\$ 29,952,313</u>	<u>\$ 141,590,827</u>

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

CITY OF LA MESA
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Fund balances of governmental funds	\$ 93,284,209
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet. The capital assets and intangible right-to-use assets were adjusted as follows:

Nondepreciable	35,094,046
Depreciable, net	<u>130,990,277</u>
Total capital assets	<u>166,084,323</u>

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(331,611)
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Internal service funds were used by management to charge the costs of certain activities, such as employee benefits, workers' compensation, equipment replacement and liability risk, to individual funds. The assets and liabilities of the internal service funds were included in the governmental activities in the Government-Wide Statement of Net Position, less capital assets net of accumulated depreciation.	(731,989)
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Other long-term assets are not available to pay current period expenditures, and therefore, are reported as unavailable revenue in the funds.	21,267
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Deferred inflows and outflows of resources have not been reported in the governmental funds:	
Deferred inflows - pension related	(2,663,881)
Deferred inflows - OPEB related	(977,883)
Deferred outflows - pension related	31,927,928
Deferred outflows - OPEB related	2,409,670
Deferred outflows - loss on refunding	396,065

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet:

Compensated absences	(4,653,062)
Long-term liabilities - due within one year	(1,806,301)
Long-term liabilities - due in more than one year	(18,731,877)
Net pension liability	(109,412,927)
Net OPEB liability	<u>(1,475,821)</u>
Total long-term liabilities	<u>(136,079,988)</u>

Net position of governmental activities	<u>\$ 153,338,110</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF LA MESA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Major Funds Transportation CIP	Miscellaneous Grants	Non-Major Governmental Funds	Totals
Revenues:					
Property taxes	\$ 18,418,083	\$ -	\$ -	\$ 1,794,982	\$ 20,213,065
Other taxes	37,372,154	-	-	547,993	37,920,147
Licenses and permits	2,473,422	210,881	-	208,338	2,892,641
Fines and forfeitures	442,809	-	-	145,938	588,747
Use of money and property	3,510,031	(109)	-	675,804	4,185,726
Intergovernmental	1,701,778	-	736,931	8,721,195	11,159,904
Charges for services	3,413,608	-	-	349,058	3,762,666
Other revenues	1,261,304	2,818	-	124,135	1,388,257
Total revenues	68,593,189	213,590	736,931	12,567,443	82,111,153
Expenditures:					
Current:					
General government	7,151,776	-	-	809,071	7,960,847
Police	22,793,662	-	238,065	1,082,608	24,114,335
Fire	14,308,258	-	-	980	14,309,238
Public works	8,997,778	-	-	-	8,997,778
Community development	2,338,650	-	562,346	431,623	3,332,619
Community services	2,194,954	-	-	10,185	2,205,139
Capital outlay	1,456,400	2,221,448	-	3,409,099	7,086,947
Debt service:					
Principal retirement	460,488	-	-	1,721,945	2,182,433
Interest and fiscal charges	9,134	-	-	838,489	847,623
Total expenditures	59,711,100	2,221,448	800,411	8,304,000	71,036,959
Excess (deficiency) of revenues over (under) expenditures	8,882,089	(2,007,858)	(63,480)	4,263,443	11,074,194
Other financing sources (uses):					
Transfers in	2,122,249	1,683,318	-	798,117	4,603,684
Transfers out	(1,644,291)	-	-	(2,829,593)	(4,473,884)
Lease acquisition	1,456,400	-	-	80,440	1,536,840
Total other financing sources (uses)	1,934,358	1,683,318	-	(1,951,036)	1,666,640
Net change in fund balances	10,816,447	(324,540)	(63,480)	2,312,407	12,740,834
Fund balances (deficit), beginning of year	58,983,932	(1,598,296)	(274,080)	23,431,819	80,543,375
Fund balances (deficit), end of year	\$ 69,800,379	\$ (1,922,836)	\$ (337,560)	\$ 25,744,226	\$ 93,284,209

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

CITY OF LA MESA
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Government-Wide
Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds \$ 12,740,834

Amounts reported for governmental activities in the Statement of Activities differs because:

Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation and amortization expense. This was the amount by which depreciation and amortization expense exceeded capital outlays in the current period (net of internal service funds). 361,427

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized, in the statement of activities.

Principal repayments	2,182,433
Amortization of premium and loss on refunding, net	33,529
Issuance of new debt	(1,536,840)
Changes in pension and OPEB related items	613,168

Accrued interest for debt service. This is the net change in accrued interest for the current period. 40,798

Compensated absences expense was reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, the change in compensated absences is not reported as an expenditure in governmental funds. (368,669)

Internal service funds were used by management to charge the costs of certain activities, such as employee benefits, workers' compensation, equipment replacement and liability risk, to individual funds. The net revenue of the internal service funds was reported with governmental activities. (3,334,408)

Change in net position of governmental activities	<u>\$ 10,753,539</u>
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The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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CITY OF LA MESA
Statement of Net Position
Proprietary Funds
June 30, 2023

	Wastewater	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and investments	\$ 4,876,873	\$ 7,426,217
Accounts receivable, net	180,203	45,445
Total current assets	<u>5,057,076</u>	<u>7,471,662</u>
Noncurrent assets:		
Restricted cash and investments	494,797	148,597
Capital assets:		
Nondepreciable	2,551,681	-
Depreciable, net	35,681,621	7,211,233
Total capital assets, net	<u>38,233,302</u>	<u>7,211,233</u>
Total noncurrent assets	<u>38,728,099</u>	<u>7,359,830</u>
Total assets	<u>43,785,175</u>	<u>14,831,492</u>
Deferred Outflows of Resources		
Pension related	1,409,432	-
OPEB related	326,415	-
Total deferred outflows of resources	<u>1,735,847</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	81,180	2,184,814
Salaries payable	39,409	3,282
Due to other funds	-	126,198
Interest payable	124,863	10,528
Long-term liabilities - due in one year	110,996	184,935
Notes payable - due within one year	1,169,968	-
Total current liabilities	<u>1,526,416</u>	<u>2,509,757</u>
Noncurrent liabilities:		
Long-term liabilities - due in more than one year	51,320	645,171
Notes payable - due in more than one year	11,382,914	-
Claims payable	-	5,197,320
Net pension liability	4,950,604	-
Net OPEB liability	199,915	-
Total noncurrent liabilities	<u>16,584,753</u>	<u>5,842,491</u>
Total liabilities	<u>18,111,169</u>	<u>8,352,248</u>
Deferred Inflows of Resources		
Pension related	78,295	-
OPEB related	132,465	-
Total deferred inflows of resources	<u>210,760</u>	<u>-</u>
Net Position		
Net investment in capital assets	25,518,104	6,381,127
Restricted	494,797	148,597
Unrestricted (deficit)	1,186,192	(50,480)
Total net position	<u>\$ 27,199,093</u>	<u>\$ 6,479,244</u>

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

CITY OF LA MESA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Wastewater	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services	\$ 13,675,770	\$ 7,174,309
Other operating revenues	-	94,899
Total operating revenues	<u>13,675,770</u>	<u>7,269,208</u>
Operating expenses:		
Salaries and payroll	3,079,008	399,924
Professional services	6,937,939	6,870,574
Supplies, materials and miscellaneous	172,957	578,214
Insurance premiums and settlements	-	3,534,967
Maintenance expenses	139,939	-
Depreciation	928,651	812,950
Amortization	-	51,028
Total operating expenses	<u>11,258,494</u>	<u>12,247,657</u>
Operating income (loss)	<u>2,417,276</u>	<u>(4,978,449)</u>
Nonoperating revenues (expenses):		
Investment income (loss)	(333,262)	(377,304)
Interest (expense)	(211,510)	(32,172)
Intergovernmental	1,117,265	-
Gain (loss) on disposal of assets	-	(142,483)
Total nonoperating revenues (expenses)	<u>572,493</u>	<u>(551,959)</u>
Transfers:		
Transfers in	-	2,196,000
Transfers out	(2,325,800)	-
Total transfers	<u>(2,325,800)</u>	<u>2,196,000</u>
Change in net position	663,969	(3,334,408)
Net position, beginning of year, as restated (Note 21)	<u>26,535,124</u>	<u>9,813,652</u>
Net position, end of year	<u>\$ 27,199,093</u>	<u>\$ 6,479,244</u>

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

CITY OF LA MESA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Wastewater	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$ 13,562,354	\$ 7,139,577
Cash payments to suppliers for goods and services	(7,288,376)	(1,932,532)
Cash payments to employees for services	(2,357,473)	(402,184)
Insurance premiums and settlements	-	(9,208,880)
Other operating revenues	-	237,194
Net Cash Provided by (Used for) Operating Activities	<u>3,916,505</u>	<u>(4,166,825)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental	1,117,265	-
Transfers in	-	2,196,000
Transfers out	(2,325,800)	-
Implicit financing	-	126,198
Net Cash Provided by (Used for) Noncapital and Related Financing Activities	<u>(1,208,535)</u>	<u>2,322,198</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(3,079,645)	(1,189,793)
Issuance of notes payable	970,619	-
Payment of interest	(207,119)	(32,172)
Payments on long-term liabilities	(1,165,062)	(284,124)
Net Cash Used for Capital and Related Financing Activities	<u>(3,481,207)</u>	<u>(1,506,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	(333,262)	(377,304)
Net Cash Used for Investing Activities	<u>(333,262)</u>	<u>(377,304)</u>
Net Decrease in Cash and Cash Equivalents	(1,106,499)	(3,728,020)
Cash and Cash Equivalents - beginning of the year	<u>6,478,169</u>	<u>11,302,834</u>
Cash and Cash Equivalents - end of the year	<u>\$ 5,371,670</u>	<u>\$ 7,574,814</u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents - current	\$ 4,876,873	\$ 7,426,217
Cash and cash equivalents - restricted	494,797	148,597
Total cash and cash equivalents	<u>\$ 5,371,670</u>	<u>\$ 7,574,814</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 2,417,276	\$ (4,978,449)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	928,651	812,950
Amortization expense	-	51,028
Changes in assets and liabilities:		
Accounts receivable	(113,416)	107,563
Deferred outflows of resources	(872,962)	-
Accounts payable	(63,703)	592,957
Claims payable	-	(750,614)
Salaries and benefits payable	10,155	(2,260)
Deferred inflows of resources	(336,993)	-
Net pension liability	1,781,539	-
Net OPEB liability	139,796	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 3,916,505</u>	<u>\$ (4,166,825)</u>
Noncash Financing Activities		
Gain (loss) on disposition of assets	\$ -	\$ (142,483)
Subscription liability	219,986	-
Subscription acquisition	(219,986)	-

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

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FIDUCIARY FUND FINANCIAL STATEMENTS

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CITY OF LA MESA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Successor Agency</u>
Assets	
Restricted cash and investments	\$ 522,710
Accounts receivable	9,853
Capital assets not being depreciated:	
Land	<u>160,000</u>
Total assets	<u>692,563</u>
Liabilities	
Accounts payable	11,058
Salaries payable	1,239
Due to the City	315,067
Advance from other governments	5,080,004
Long term liabilities due within one year	<u>490,000</u>
Total liabilities	<u>5,897,368</u>
Net Position (Deficit)	
Held in trust for successor agency	<u><u>\$ (5,204,805)</u></u>

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

CITY OF LA MESA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Successor Agency
Additions	
RPTTF Distribution	\$ 1,174,954
Investment Income	13,463
Total additions	<u>1,188,417</u>
Deductions	
Administrative expenses	178,935
Contributions to other agencies	585,416
Interest	<u>41,544</u>
Total deductions	<u>805,895</u>
Change in net position	382,522
Net position (deficit), beginning of year	<u>(5,587,327)</u>
Net position (deficit), end of year	<u><u>\$ (5,204,805)</u></u>

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

CITY OF LA MESA
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For the Year Ended June 30, 2023

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CITY OF LA MESA
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For the Year Ended June 30, 2023

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of La Mesa, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of the Reporting Entity

The basic financial statements of the City include the financial activities of the City and its component units. The component units discussed below are included in the City's reporting entity through a blended presentation because of the significance of their operational and financial relationship with the City. Although these component units are legally separate from the City, they are reported as part of the primary government because their boards consist of all members of the City Council.

Blended Component Units

The La Mesa Public Financing Authority (Financing Authority) - The City established the Financing Authority on April 11, 2006, by and among the City and the La Mesa Community Redevelopment Agency (Members). The Financing Authority was created for the purpose of providing financing for public capital improvements to be owned by any of the Members. The Financing Authority was included within the scope of the reporting entity of the City because its governing body is composed in its entirety of council members of the City. There were no separate financial statements prepared for the Financing Authority.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Basis of Accounting and Measurement Focus, (continued)

Government - Wide Financial Statements, (continued)

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by generally accepted accounting principles in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect).

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these Statements to the Net Position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Basis of Accounting and Measurement Focus, (continued)

Governmental Fund Financial Statements, (continued)

Revenues are recorded when received in cash, except for those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the Combined Balance Sheet and revenue is recognized.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have also been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

B. Basis of Accounting and Measurement Focus, (continued)

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent Private Purpose Trust Funds which act in a fiduciary capacity for assets held for the payment of recognized obligations of the former redevelopment agency. They are accounted for in essentially the same manner as proprietary funds.

C. Fund Classifications

The City reports the following major governmental funds:

General Fund

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

Transportation CIP Fund

The Transportation CIP Fund is used for transportation related capital improvement projects. The fund did not qualify as major for fiscal year ending June 30, 2023, however, management elected to maintain and present it as major.

Miscellaneous Grants Fund

The Miscellaneous Grants Fund is used for reporting of grants that are not public safety or community services related. This includes, but is not limited to, COVID-19 relief grants.

The City reports the following major enterprise funds:

Wastewater Fund

The Wastewater Fund accounts for the operation and maintenance of the City's wastewater system.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Fund Classifications, (continued)

Additionally, the City reports the following fund types:

Internal Service Funds

Internal service funds account for the financing of equipment and fleet, risk management services, and benefit services to other departments on a cost reimbursement basis.

Private Purpose Trust Fund

The Private Purpose Trust Fund holds the assets of the Successor Agency which were received from the City's former redevelopment agency. The redevelopment agency was dissolved per Assembly Bill X1 26 which dissolved redevelopment agencies in California.

D. Use of Restricted/Unrestricted Net Position

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

E. 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 the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with generally accepted accounting principles, 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 titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. 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.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents including cash with fiscal agents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Cash, Cash Equivalents and Investments, (continued)

In accordance with generally accepted accounting principles, certain disclosure requirements, if applicable for deposit and investment risk are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

F. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments are also restricted for deposits held for others within the enterprise funds.

G. Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market value and consists of expendable supplies held for consumption. Inventories are recorded using the consumption (capitalization) method.

H. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

I. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at \$8,000 and for reporting infrastructure assets at \$25,000. Gifts or contributions of capital assets are reported at acquisition value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and Improvements	40 years
Improvements other than buildings	12 – 50 years
Machinery and Equipment	5 – 20 years
Infrastructure	20 – 60 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. Capital Assets, (continued)

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, sewer collection and treatment system, park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities, such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

J. Compensated Absences

The City accounts for compensated absences (unpaid vacation, sick leave and compensatory time) in accordance with generally accepted accounting principles. In governmental fund types, compensated absences are recorded as expenditures in the year paid, as it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for the governmental fund types is recorded in the Government-Wide Financial Statements.

K. Long-Term Debt

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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 financial 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 debt service expenditures.

L. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, propriety fund types recognize the interest payable when the liability is incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

M. Property Taxes

Under California law, property taxes are assessed and collected by the counties at 1% of assessed value, plus other increases approved by the voters. The property taxes are pooled and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes which are received within 60 days after year-end.

The City's property taxes are levied and collected by the San Diego County Treasurer. Property taxes (secured and unsecured) are levied on July 1 based on the previous March 1 assessed values as determined by the San Diego County Assessor. Secured taxes are due in two equal installments on November 1 and February 1 following the levy date and become delinquent on December 10 and April 10 following the levy date. Unsecured taxes are due on July 1 and become delinquent August 31 following the levy date.

N. Pension Plan

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

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

The City additionally reports a PARS Retirement Enhancement Pension Plan for which the following actuarial valuation timeframes are used:

Valuation Date (VD)	January 1, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

P. Net Position

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

Net Investment in Capital Assets – This amount 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 Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

Q. Fund Balances

In accordance with generally accepted accounting principles, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Q. Fund Balances (continued)

- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The Director of Finance has the authority, granted by the Council, to commit City resources. When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is also the City's policy to consider committed amounts as being reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

R. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

S. Implementation of New GASB Pronouncement

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

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2023:

	Government-Wide Statement of Net Position		Fiduciary Funds Statement of	
	Governmental Activities	Business-Type Activities	Fiduciary Assets	Total
Cash and investments	\$ 83,696,483	\$ 4,876,873	\$ -	\$ 88,573,356
Restricted:				
Cash and investments	308,848	494,797	522,710	1,326,355
Investments in Section 115 Trust	7,938,631	-	-	7,938,631
Total	\$ 91,943,962	\$ 5,371,670	\$ 522,710	\$ 97,838,342

Cash, cash equivalents, and investments consisted as follows, at June 30, 2023:

Cash and cash equivalents:

Petty Cash	\$ 1,250
Demand Deposit	762,065
Total cash and cash equivalents	763,315

Investments:

Local Agency Investment Fund	42,189,436
Investment in Section 115 Trust	7,938,631
Negotiable Certificates of Deposit	14,448,625
U.S. Government Obligations	31,975,625
Money Market	522,710
Total investments	97,075,027
Total cash and investments	\$ 97,838,342

A. Cash Deposits

As of June 30, 2023, none of the City's cash deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts.

B. Investments

The City is authorized by State statutes and in accordance with the City's Investment Policy (Policy) to invest in the following:

- Certificates of Deposit
- Negotiable Certificates of Deposit
- U.S. Treasury Obligations
- U.S. Agency Securities
- Bankers Acceptances
- California Local Agency Investment Fund (LAIF)
- Repurchase Agreements
- Mutual Funds
- Commercial Paper
- Municipal Securities
- Corporate Notes

2. CASH AND INVESTMENTS, (continued)

B. Investments, (continued)

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall: (1) have maximum maturity not to exceed five years; (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments.

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2023 included a portion of the pooled funds invested in Structured Notes and Assets-Backed Securities. These investments included 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 that 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 CMO's) or credit card receivables.

As of June 30, 2023, the City had \$42,189,436 invested in LAIF.

C. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires structuring the portfolio in a way so that securities mature to meet the City's cash requirements for ongoing obligations; investing primarily in shorter term securities; and not paying a premium for any secondary market security which includes a call feature. The City is in compliance with this provision of the Policy.

Credit Risk

The City's Policy limits investments in commercial paper to the highest grade of stand alone or enhanced (prime) commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services and requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

2. CASH AND INVESTMENTS, (continued)

C. Risk Disclosures, (continued)

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

	Moody's	Standard & Poor's
Investment Pools:		
State of California - Local Agency Investment Fund	Not Rated	Not Rated
Investment in Section 115 trust	Not Rated	Not Rated
Negotiable Certificates of Deposit	Aaa	AAA
U.S. Government Agencies:		
FNMA	Aaa	AA+
FHLB	Aaa	AA+
FHLMC	Aaa	AA+

Concentration of Credit Risk

The City's Investment Policies instructs the city to remain within defined portfolio percentages to prevent a substantial loss related to the failure of one issue or issuer. For the Local Agency Investment Fund, there is no dictated percentage limit over the investment. For the Investment in Section 115 trust, there is no dictated percentage limit over the investment. For Certificates of Deposit, the City's Investment Policy dictates that no more than 30% of the total portfolio may be invested in all Certificates of Deposits. As of June 30, 2023, the City is in compliance with its investment policies.

Custodial Credit Risk

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

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City's cash balances held with financial institutions in excess of the FDIC limit are held in collateralized accounts.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

2. CASH AND INVESTMENTS, (continued)

C. Risk Disclosures, (continued)

The following is a chart of City's investment portfolio:

Investments	Amount Invested	Percentage of Investments
Local Agency Investment Fund	\$ 42,189,436	43.46%
Investment in Section 115 trust	7,938,631	8.18%
Negotiable Certificates of Deposit	14,448,625	14.88%
U.S. Government Obligations	31,975,625	32.94%
Money Market	522,710	0.54%
Total	\$ 97,075,027	100.00%

D. Summary of Investments to Maturity

Investments held in the City Treasury grouped by maturity date at June 30, 2023, are shown below:

Maturity	
Current to one year	\$ 54,324,148
One to two years	8,115,922
Two to three years	11,594,300
Three to four years	18,495,700
Four to five years	4,544,957
Total	\$ 97,075,027

E. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 14,448,625	\$ -	\$ 14,448,625	\$ -
U.S. Government Obligations	31,975,625	31,975,625	-	-
Money Market	522,710	522,710	-	-
Total investments by fair value	46,946,960	\$ 32,498,335	\$ 14,448,625	\$ -

Investments not subject to fair value hierarchy:

Investment in Section 115 trust	7,938,631
Local Agency Investment Fund	42,189,436
Total	\$ 97,075,027

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

3. LOANS RECEIVABLE

As of June 30, 2023 the following loans were outstanding:

	Governmental Funds
Computer Loan Program	\$ 29,917
Housing Rehabilitation Loan Program	117,017
Housing Successor loans	225,000
Total	<u>\$ 371,934</u>

Computer Loan Program

Zero interest loans were provided to City employees for purchases of personal computers. Loan payments are deducted from bi-weekly paychecks and are secured by the employees' accrued vacation hours. At June 30, 2023, the outstanding amount due to the City was \$29,917.

Housing Rehabilitation Loan Program

Low interest loans were provided to qualified borrowers for financial assistance for improvements to low and moderate income housing. The loans, which are secured by trust deeds on the property, are due upon sale of property or death of the homeowner. At June 30, 2023, the outstanding amount due to the City was \$117,017.

Housing Successor Loans

Housing Successor loans in the amount of \$225,000 consist of low and moderate income housing loans for three properties located on Lubbock Avenue.

The low and moderate income housing loans are secured by trust deeds on the individual properties and are payable upon sale or transfer of the property by the original property owner.

4. LEASE RECEIVABLE

As of June 30, 2023, the City had 8 active leases. The leases have receipts that range from \$2,800 to \$394,752 and interest rates that range from 0.5100% to 2.5800%. As of June 30, 2023, the total combined value of the lease receivable is \$29,216,586, and the combined value of the deferred inflow of resources is \$27,747,273.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

5. INTERFUND TRANSACTIONS

A. Advances From/To Other Governments

As of June 30, 2023, balances of advances from/advances to were as follows:

Advances to Other Governments	Advances From Other Governments	
	Successor Agency	Total
Governmental Activities:		
General Fund	\$ 5,080,004	\$ 5,080,004
Total	<u>\$ 5,080,004</u>	<u>\$ 5,080,004</u>

The advance from the Successor Agency to the City represents the amount owed for the sale of the site of the former police station for the purposes of developing low and moderate income housing. At June 30, 2023, the outstanding balance is \$5,300,000.

B. Due To/From Other Funds

Interfund receivable and payable balances at June 30, 2023 were as follows:

Due From Other Funds	Due to Other Funds			
	Transportation CIP	Non-Major Governmental Funds	Internal Service Funds	Total
General Fund	\$ 1,888,999	\$ 1,588,987	\$ 126,198	<u>\$ 3,604,184</u>

The above amounts represent short-term borrowings from the General Fund for temporary cash shortfalls for the funds listed above.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

5. INTERFUND TRANSACTIONS, (continued)

C. Transfers In and Out

Transfers in and out for the year ended June 30, 2023 were as follows:

	Transfers In				
	Governmental Activities				Total
	General Fund	Transportation CIP	Non-Major Governmental Funds	Internal Service Funds	
Transfers out					
Governmental Activities:					
General Fund	\$ -	\$ -	\$ -	\$ 1,644,291	\$ 1,644,291
Non-Major Governmental Funds	348,158	1,683,318	798,117		2,829,593
Business-Type Activities:					
Wastewater	1,774,091	-	-	551,709	2,325,800
Total	<u>\$ 2,122,249</u>	<u>\$ 1,683,318</u>	<u>\$ 798,117</u>	<u>\$ 2,196,000</u>	<u>\$ 6,799,684</u>

Transfers between funds primarily represent reimbursements for services provided and/or the allocation of resources to fund specific programs or capital projects. These transfers are consistent with the purpose of each fund and are used to allocate costs appropriately across governmental activities.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2023 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 11,398,339	\$ -	\$ 11,398,339
Right-of-way	15,905,824	-	15,905,824
Construction in progress	7,789,883	2,551,681	10,341,564
Total non-depreciable assets	35,094,046	2,551,681	37,645,727
Depreciable assets:			
Buildings and improvements	47,796,770	-	47,796,770
Vehicles and equipment	17,917,138	2,280,839	20,197,977
Right-to-use asset - equipment	530,443	-	530,443
Right-to-use asset - subscription	1,619,802	219,986	1,839,788
Infrastructure	205,556,431	55,891,233	261,447,664
Total depreciable assets, at cost	273,420,584	58,392,058	331,812,642
Accumulated Depreciation:			
Buildings and improvements	(18,738,367)	-	(18,738,367)
Vehicles and equipment	(9,308,380)	(1,422,968)	(10,731,348)
Right-to-use asset - equipment	(108,263)	-	(108,263)
Right-to-use asset - subscription	(480,058)	(52,249)	(532,307)
Infrastructure	(113,795,239)	(21,235,220)	(135,030,459)
Total accumulated depreciation	(142,430,307)	(22,710,437)	(165,140,744)
Total depreciable assets, net	130,990,277	35,681,621	166,671,898
Total capital assets	\$ 166,084,323	\$ 38,233,302	\$ 204,317,625

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

6. CAPITAL ASSETS, (continued)

A. Government-Wide Financial Statements, (continued)

The following is a summary of capital assets for governmental activities:

Governmental activities:	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 11,398,339	\$ -	\$ -	\$ 11,398,339
Right-of-way	15,905,824	-	-	15,905,824
Construction in progress*	1,798,106	7,078,472	(1,086,695)	7,789,883
Total non-depreciable assets	29,102,269	7,078,472	(1,086,695)	35,094,046
Depreciable assets:				
Buildings and improvements	47,796,770	-	-	47,796,770
Vehicles and equipment*	17,416,977	1,373,146	(872,985)	17,917,138
Right-to-use asset - equipment	530,443	-	-	530,443
Right-to-use asset - subscription	-	1,619,802	-	1,619,802
Infrastructure*	205,260,159	1,109,593	(813,321)	205,556,431
Total depreciable assets, at cost	271,004,349	4,102,541	(1,686,306)	273,420,584
Accumulated Depreciation/Amortization				
Buildings and improvements	(15,128,518)	(3,609,849)	-	(18,738,367)
Vehicles and equipment*	(9,121,271)	(917,605)	730,496	(9,308,380)
Right-to-use asset - equipment	(53,202)	(55,061)	-	(108,263)
Right-to-use asset - subscription	-	(480,058)	-	(480,058)
Infrastructure*	(110,264,063)	(4,006,511)	475,335	(113,795,239)
Total accumulated depreciation/amortization	(134,567,054)	(9,069,084)	1,205,831	(142,430,307)
Total depreciable assets, net	136,437,295	(4,966,543)	(480,475)	130,990,277
Total governmental activities	\$ 165,539,564	\$ 2,111,929	\$ (1,567,170)	\$ 166,084,323

* Beginning balances include correction of errors.

Governmental activities depreciation and amortization expense for capital assets for the year ended June 30, 2023 was as follows:

General government	\$ 1,114,544
Police	1,236,218
Fire	1,126,047
Public works	4,921,718
Community services	659,380
Community development	11,177
Total	<u>\$ 9,069,084</u>

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

6. CAPITAL ASSETS, (continued)

A. Government-Wide Financial Statements, (continued)

The following is a summary of capital assets for business-type activities:

Business-Type activities:	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable assets:				
Construction in progress*	\$ 794,256	\$ 3,079,645	\$ (1,322,220)	\$ 2,551,681
Total non-depreciable assets	794,256	3,079,645	(1,322,220)	2,551,681
Depreciable assets:				
Vehicles and equipment*	2,280,839	-	-	2,280,839
Right-to-use asset - subscription	-	219,986	-	219,986
Infrastructure	54,614,829	1,296,058	(19,654)	55,891,233
Total depreciable assets, at cost	56,895,668	1,516,044	(19,654)	58,392,058
Accumulated Depreciation/Amortization				
Vehicles and equipment*	(1,273,427)	(149,541)	-	(1,422,968)
Right-to-use asset - subscription	-	(52,249)	-	(52,249)
Infrastructure	(20,528,013)	(726,861)	19,654	(21,235,220)
Total accumulated depreciation/amortization	(21,801,440)	(928,651)	19,654	(22,710,437)
Total depreciable assets, net	35,094,228	587,393	-	35,681,621
Total business-type activities	\$ 35,888,484	\$ 3,667,038	\$ (1,322,220)	\$ 38,233,302

* Beginning balances include correction of errors.

Business-type activities depreciation and amortization expense for capital assets for the year ended June 30, 2023 was as follows:

Wastewater	<u>\$ 928,651</u>
Total depreciation	<u>\$ 928,651</u>

B. Fund Financial Statements

The fund financial statements do not present general government capital assets, but capital assets are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

7. LONG-TERM DEBT

A. Governmental Activities Long-Term Debt

The summary of changes in long-term debt for governmental activities for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due Within One Year	Due in More Than One Year
Bonds payable:						
2006 Certificates of participation:						
Series A	\$ 810,000	\$ -	\$ (135,000)	\$ 675,000	\$ 150,000	\$ 525,000
Series B	1,255,000	-	(220,000)	1,035,000	235,000	800,000
2016 General obligation refunding bonds	17,705,000	-	(840,000)	16,865,000	890,000	15,975,000
Unamortized bond premium	959,915	-	(63,995)	895,920	-	895,920
TransNet Commercial Paper - direct borrowing	499,988	-	(499,988)	-	-	-
Total	\$ 21,229,903	\$ -	\$ (1,758,983)	\$ 19,470,920	\$ 1,275,000	\$ 18,195,920

Bonds Payable

2006 Certificates of Participation, Series A and B

On July 27, 2006, the La Mesa Public Financing Authority (The Authority) issued Certificates of Participation, Series 2006A in the amount of \$1,830,000 and Series 2006B in the amount of \$3,170,000, bearing interest rates of 4.15%-6.32% with maturity dates from August 1, 2007 to 2027. The purpose of the issuance was to provide funds to construct a building and related site improvements at the City of La Mesa's Civic Center, to acquire a municipal bond debt service reserve insurance policy and a municipal bond insurance policy for the certificates, and to pay the costs of issuance incurred in connection with the execution and delivery of the certificates. Interest is payable on February 1 and August 1 each year, commencing August 1, 2007.

The City has pledged future post office lease revenue to repay the 2006 Certificates of Participation Series A. Total principal and interest remaining on the Certificates of Participation Series A is \$764,586 payable through 2027. Total principal and interest remaining on the Certificates of Participation Series B is \$1,133,711 payable through 2027.

Whenever any event of default referred to in the lease happens and continues, the Trustee, as the assignee of the Authority, is authorized under the terms of Lease to exercise any and all remedies available pursuant to the law or granted pursuant to the Lease; provided, however, that notwithstanding anything therein or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the lease payments or otherwise declare any lease payments not then due or past due to be immediately due and payable. Neither the Authority nor its assignee shall have any right to reenter or re-let the leased premises except following a default under the lease. Following an event of default, the Trustee or its assignee of the Authority, may elect either to terminate the Lease and seek to collect damages from the City or to maintain the Lease in effect and seek to collect the Lease Payments as they become due. The lease further provides that so long as an event of default exists under the lease, the trustee may reenter the leased premises for the purpose of taking possession of any portion of the leased premises and to re-let the lease premises, and in addition, at its option, with or without such entry to terminate the lease as described therein.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

7. LONG-TERM DEBT, (continued)

A. Governmental Activities Long-Term Debt, (continued)

Bonds Payable, (continued)

2006 Certificates of Participation, Series A and B, continued

The outstanding principal balances of Series A and B at June 30, 2023 were \$675,000 and \$1,035,000 respectively, for a combined balance of \$1,710,000.

The annual debt service requirements for the Series A and B Certificates outstanding at June 30, 2023 were as follows:

2006 Certificates of Participation Series A			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 150,000	\$ 37,920	\$ 187,920
2025	160,000	28,124	188,124
2026	175,000	17,538	192,538
2027	190,000	6,004	196,004
Total	\$ 675,000	\$ 89,586	\$ 764,586

2006 Certificates of Participation Series B			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 235,000	\$ 41,963	\$ 276,963
2025	250,000	30,988	280,988
2026	265,000	19,205	284,205
2027	285,000	6,555	291,555
Total	\$ 1,035,000	\$ 98,711	\$ 1,133,711

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

7. LONG-TERM DEBT, (continued)

A. Governmental Activities Long-Term Debt, (continued)

Bonds Payable, (continued)

2016 General Obligation Refunding Bonds

On November 30, 2016, the City issued \$21,825,000 in 2016 General Obligation Refunding Bonds for the purpose of refunding the outstanding 2004 General Obligation Bonds, Series A and B. The bonds are general obligation bonds of the City, payable solely from *ad valorem* property taxes levied on behalf of the City and collected by the County of San Diego. The bonds mature annually each August 1, 2017 through 2036 in amounts ranging from \$720,000 to \$1,565,000. The bonds bear variable interest rates ranging from 2% to 5%, and are payable semi-annually each February 1 and August 1, commencing February 1, 2017.

In the event of a failure of the City to comply with any provision of the disclosure certificate, the holder or beneficial owner of the bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the disclosure certificate. A default under the disclosure certificate shall not be deemed an event of default under the indenture, and the sole remedy under this disclosure certificate in the event of any failure of the City to comply with the disclosure certificate shall be an action to compel performance.

No holder or beneficial owner of the bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

The annual requirements for the 2016 General Obligation Refunding Bonds outstanding at June 30, 2023 were as follows:

2016 General Obligation Refunding Bonds			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 890,000	\$ 685,700	\$ 1,575,700
2025	945,000	639,825	1,584,825
2026	995,000	591,325	1,586,325
2027	1,050,000	548,075	1,598,075
2028	1,095,000	510,537	1,605,537
2029 - 2033	6,230,000	1,901,662	8,131,662
2034 - 2037	5,660,000	520,025	6,180,025
Total	<u>\$ 16,865,000</u>	<u>\$ 5,397,149</u>	<u>\$ 22,262,149</u>

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

7. LONG-TERM DEBT, (continued)

A. Governmental Activities Long-Term Debt, (continued)

TransNet Commercial Paper – Direct Borrowing

On May 4, 2018, the City entered into a loan agreement with San Diego County Regional Transportation Commission for a \$2,000,000 loan for the purpose of financing the West La Mesa Improvements project. The proceeds were funded when the City requested reimbursement of valid expenditures related to this project. The repayment of debt is the first priority on the use of the City's annual TransNet revenues, which are received from SANDAG. The loan was fully paid as of June 30, 2023.

B. Business-Type Activities Long-Term Debt

The summary of changes in long-term debt for business-type activities for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due Within One Year	Due in More Than One Year
Notes payable:						
State Revolving Fund Loan	\$ 12,689,655	\$ 970,619	\$ (1,107,392)	\$ 12,552,882	\$ 1,169,968	\$ 11,382,914
Total	\$ 12,689,655	\$ 970,619	\$ (1,107,392)	\$ 12,552,882	\$ 1,169,968	\$ 11,382,914

State Revolving Fund Loan

On July 25, 2006, the City entered into an agreement to obtain a low interest federal pass-through loan from the State Water Resources Control Board which would allow the City to borrow up to \$14,500,000 at 2.4% from January 7, 2006 through February 1, 2028 for sewer system improvements. An additional \$5,000,000, \$7,000,000, and \$970,619 was approved for borrowing on November 3, 2015, July 7, 2020, and February 27, 2023, respectively. At June 30, 2023, the City had borrowed \$22,317,101, of which \$12,552,882 remains outstanding.

The annual debt service requirements for the State Water Fund Loan outstanding at June 30, 2023 were as follows:

State Revolving Fund Loan			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,169,968	\$ 200,272	\$ 1,370,240
2025	1,185,420	184,820	1,370,240
2026	1,207,671	162,569	1,370,240
2027	1,230,387	139,854	1,370,241
2028	1,253,577	116,664	1,370,241
2029 - 2033	3,140,984	340,278	3,481,262
2034 - 2038	2,200,010	152,149	2,352,159
2039 - 2043	1,164,865	33,681	1,198,546
Total	\$ 12,552,882	\$ 1,330,287	\$ 13,883,169

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

8. FINANCED PURCHASE

The summary of changes in long-term financed purchases for governmental activities for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due Within One Year	Due in More Than One Year
Financed purchase payable						
Municipal Finance Corp - 2016	\$ 103,659	\$ -	\$ (103,659)	\$ -	\$ -	\$ -
San Diego County Next Gen RCS - 2017	554,438	-	(132,942)	421,496	136,651	284,845
Total	\$ 658,097	\$ -	\$ (236,601)	\$ 421,496	\$ 136,651	\$ 284,845

Municipal Finance Corporation - 2016

On January 22, 2016, the City entered into a purchase option lease agreement with Municipal Finance Corporation in order to acquire a fire pumper from Pierce Manufacturing, Inc. The purchase was fully repaid as of June 30, 2023.

San Diego County Next Gen RCS - 2017

The San Diego-Imperial County Regional Communications System (RCS) is utilized by the Police, Fire and Public Works Departments for their radio communications. The current system has reached end of life, and the RCS has developed plans for a new "next generation system" to meet the region's needs (NextGen RCS).

On July 12, 2016, the City of La Mesa was notified by San Diego County that a contract for the NextGen RCS system was awarded to Motorola Solutions for \$70,065,207. The City of La Mesa's share of this amount is \$1,279,649. The City's shared infrastructure obligation was financed by the County of San Diego at an annual interest rate of 2.79% per year, for a period of ten years, with an annual payment of \$148,411 beginning in FY 16-17 and continuing for 10 years until the debt is paid. The annual payments as of June 30, 2023 were as follows:

San Diego County Next Gen RCS - 2017			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 136,651	\$ 11,760	\$ 148,411
2025	140,464	7,947	148,411
2026	144,381	4,028	148,411
Total	\$ 421,496	\$ 23,735	\$ 445,233

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

8. FINANCED PURCHASE (continued)

Schedule of property under financed purchase by major classes at June 30, 2023:

	Governmental Activities	Business-Type Activities	Total
Equipment	\$ 3,291,866	\$ -	\$ 3,291,866
Less: accumulated depreciation	(2,128,055)	-	(2,128,055)
Total	<u>\$ 1,163,811</u>	<u>\$ -</u>	<u>\$ 1,163,811</u>

9. LEASE AND SUBSCRIPTION LIABILITIES

A. Governmental Activities

The summary of changes in long-term lease and subscription liabilities for governmental activities for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due Within One Year	Due in More Than One Year
Lease liability:						
Copier	\$ 17,863	\$ -	\$ (3,956)	\$ 13,907	\$ 4,007	\$ 9,900
Fire Stryker Equipment	456,133	-	(47,523)	408,610	48,284	360,326
Subscription liability	-	1,536,840	(483,489)	1,053,351	527,294	526,057
Total	<u>\$ 473,996</u>	<u>\$ 1,536,840</u>	<u>\$ (534,968)</u>	<u>\$ 1,475,868</u>	<u>\$ 579,585</u>	<u>\$ 896,283</u>

Lease Liability

As of June 30, 2023, the City had 2 active leases. The leases have payments that range from \$4,163 to \$54,822 and interest rates that range from 1.29% to 1.60%. As of June 30, 2023, the total combined value of the lease liability is \$422,517. The combined value of the right to use asset, as of June 30, 2023 of \$530,443 with accumulated amortization of \$108,263 is included within the right-to-use asset – equipment in note 6.

The annual payments as of June 30, 2023 were as follows:

Lease Liability			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 52,291	\$ 6,694	\$ 58,985
2025	53,116	5,869	58,985
2026	53,953	5,031	58,984
2027	52,368	4,189	56,557
2028	51,449	3,373	54,822
2029 - 2031	159,340	5,126	164,466
Total	<u>\$ 422,517</u>	<u>\$ 30,282</u>	<u>\$ 452,799</u>

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

9. LEASE AND SUBSCRIPTION LIABILITY (continued)

A. Governmental Activities (continued)

Subscription Liability

As of June 30, 2023, the City had 9 active subscriptions. The subscriptions have payments that range from \$4,590 to \$169,931 and interest rates that range from 2.024% to 2.927%. As of June 30, 2023, the total combined value of the subscription liability is \$1,053,351. The combined value of the right to use asset, as of June 30, 2023 of \$1,619,802 with accumulated amortization of \$480,058 is included within right-to-use asset – subscription in note 6.

The annual payments as of June 30, 2023 were as follows:

Subscription liability			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 527,294	\$ 23,391	\$ 550,685
2025	415,082	11,384	426,466
2026	48,805	2,534	51,339
2027	41,106	1,483	42,589
2028	3,973	617	4,590
2029 - 2031	17,091	1,269	18,360
Total	\$ 1,053,351	\$ 40,678	\$ 1,094,029

B. Business-Type Activities

The summary of changes in long-term lease and subscription liabilities for business-type activities for the year ended June 30, 2023 was as follows:

	Balance			Classification		
	June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Subscription liability	\$ -	\$ 219,986	\$ (57,670)	\$ 162,316	\$ 110,996	\$ 51,320
	\$ -	\$ 219,986	\$ (57,670)	\$ 162,316	\$ 110,996	\$ 51,320

As of June 30, 2023, the City had 1 active subscription that is split with the General Fund. The subscription has annual payments of \$115,340 and interest rates of 2.184%. As of June 30, 2023, the total combined value of the subscription liability is \$162,316. The combined value of the right to use asset, as of June 30, 2023 of \$219,986 with accumulated amortization of \$52,249 is included within right-to-use asset – subscription in note 6.

The annual payments as of June 30, 2023 were as follows:

Subscription liability			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 110,996	\$ 4,344	\$ 115,340
2025	51,320	1,121	52,441
Total	\$ 162,316	\$ 5,465	\$ 167,781

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

10. COMPENSATED ABSENCES

The summary of changes in compensated absences for governmental activities for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due Within One Year	Due in More Than One Year
Compensated Absences	\$ 4,284,393	\$ 3,510,229	\$ (3,141,560)	\$ 4,653,062	\$ 3,140,000	\$ 1,513,062

The funds to be used to liquidate this liability include the General Fund, Housing Rehabilitation, Community Development Block Grant, Downtown Parking, Wastewater, Environmental Services, Workers Compensation Fund, Liability Risk Financing Fund and the Low-Moderate Housing Successor Fund. At June 30, 2023, compensated absences balance consisted of the following:

Vacation pay	\$ 2,333,445
Holiday pay	817,806
Sick leave	1,261,138
Compensatory time	240,673
Total	\$ 4,653,062

11. OTHER POST- EMPLOYMENT BENEFITS

Plan Description

The City provides the minimum required employer contribution under the CalPERS Health Plan for eligible retirees and surviving spouses in receipt of a pension benefit from CalPERS. An employee is eligible for this employer contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 60 days of retirement with the City. Vesting requires at least 5 years of CalPERS total service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree. The scheduled minimum required employer contributions for each eligible retiree under the CalPERS Health Plan are \$151 per month per employee in 2023. The City does not issue a financial report for the plan. A separate financial report is not prepared for the Plan.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

11. OTHER POST– EMPLOYMENT BENEFITS, (continued)

Employees Covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	248
Inactive employees or beneficiaries currently receiving benefits	142
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>390</u>

Contributions

By unanimous vote of the City Council on May 12, 2009, the City adopted pre-funding through the California Employers' Retiree Benefit Trust (CERBT), a GASB eligible trust. The CERBT has an investment policy with an expected long-term rate of return equal to approximately 6.00% for employers fully funding the annual required contribution each year. For the fiscal year ended June 30, 2023, the City's cash contributions were \$496,172 in payments to the trust.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022 based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2022 Measurement Date
Actuarial Valuation Date	June 30, 2021
Actuarial cost method	Entry age normal
Discount Rate	6.00%
General Inflation	2.50%
Mortality	Society of Actuaries (SOA) Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021.
Retirement, Disability, Termination	According to the rates under the 2021 experience study for the CalPERS Pension plan.
Salary increases	2.80%
Medical Trend	6.5% for 2022, decreasing to an ultimate rate of 4.5% in 2030 and later years
Healthcare Participation	50% of eligible active employees are assumed to elect medical coverage at retirement.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

11. OTHER POST– EMPLOYMENT BENEFITS, (continued)

Net OPEB Liability (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building – block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class Component</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	59%	N/A
Global debt securities	25%	N/A
Inflation assets	5%	N/A
Commodities	8%	N/A
REITs	3%	N/A
Total	<u>100%</u>	

Discount Rate

A discount rate of 6.00% was used in the valuation. This discount rate assumes the City continues to fully fund for its retiree health benefits through the CERBT under its investment allocation strategy.

Changes in the OPEB Liability

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

	(a)	(b)	(a) - (b) = (c)
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021 (measurement date)	<u>\$ 6,746,266</u>	<u>\$ 6,242,334</u>	<u>\$ 503,932</u>
Changes recognized for the measurement period:			
Service cost	180,768	-	180,768
Interest	453,954	-	453,954
Differences between expected and actual experience	(86,159)	-	(86,159)
Changes of assumptions	614,946	-	614,946
Contributions – employer	-	883,007	(883,007)
Net investment income	-	(889,675)	889,675
Benefit payments	(510,878)	(510,878)	-
Administrative expense	-	(1,627)	1,627
Net changes	<u>652,631</u>	<u>(519,173)</u>	<u>1,171,804</u>
Balance at June 30, 2022 (measurement date)	<u>\$ 7,398,897</u>	<u>\$ 5,723,161</u>	<u>\$ 1,675,736</u>

11. OTHER POST– EMPLOYMENT BENEFITS, (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability	\$ 2,589,556	\$ 1,675,736	\$ 920,723

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 774,149	\$ 1,675,736	\$ 2,797,180

OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at www.calpers.ca.gov.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

11. OTHER POST-EMPLOYMENT BENEFITS, (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

A complete breakdown of the OPEB expense is as follows:

Service cost	\$	180,768
Interest on total OPEB liability		453,954
Projected earnings on OPEB plan investments		(436,869)
OPEB plan administrative expense		1,627
Current period recognition of deferred outflows (inflows) of resources:		
Differences between expected and actual experience in measurement of the total OPEB liability		2,497
Changes of assumptions		30,814
Differences between projected and actual earnings on OPEB plan investments		101,114
Annual OPEB expense (credit)	\$	<u>333,905</u>

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$333,905. As of fiscal year ended June 30, 2023, the City reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 547,272	\$ -
Changes of assumptions	620,725	(35,371)
Difference between expected and actuarial experience	543,998	(1,074,977)
Contributions to OPEB plan subsequent to the measurement date	<u>1,024,090</u>	<u>-</u>
Total	<u>\$ 2,736,085</u>	<u>\$ (1,110,348)</u>

Contributions subsequent to the measurement date of \$1,024,090, reported as deferred outflows of resources will be recognized as a reduction of the net OPEB liability in the upcoming fiscal year. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ 138,249
2025	67,306
2026	41,231
2027	231,063
2028	(34,245)
Thereafter	<u>158,043</u>
Total	<u>\$ 601,647</u>

12. OTHER REQUIRED DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning unrestricted net position (deficit) and fund balance (deficit).

At June 30, 2023, the following funds had the following deficit fund balances:

Governmental Funds	
Transportation CIP	\$ (1,922,836)
Miscellaneous Grants	(337,560)
<i>Non-Major:</i>	
Transportation Improvement	(9,152)
Public Safety Grants	(64,325)
2006 Certificates of Participation	(4,407)
Parks and Recreation	(1,210,873)

The negative fund balance amount represents expenditures incurred before June 30, 2023, which as of the financial statement date and accrual period, were not yet reimbursed.

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured and purchases health benefits through the Public Employees' Retirement System. The City is a member of the Public Entity Risk Management Authority (PERMA) for general liability, and all identified areas of risk as described below:

Liability- The Liability Program provides defense and indemnity coverage against claims and suits arising from covered occurrences. It provides \$50 million in broad form general liability coverage, which includes auto liability, bodily injury and property damage, personal injury, and public officials' errors and omissions.

Workers' Compensation- The Workers' Compensation program provides statutory benefits for employee injuries arising out of and in the course of employment. It provides statutory limits in workers' compensation coverage and \$5,000,000 in employers' liability coverage.

Property- The all-risk property program provides coverage on a replacement cost basis. The all-risk coverage includes a \$200 million limit, a \$100,000 pool deductible, and a \$10,000 deductible.

Automobile Physical Damage- The auto physical damage program provides coverage to City-owned vehicles. The City schedules the vehicles, and coverage is available on a replacement cost basis.

Employment Practices Liability- The Employment Practice Liability (EPL) program provides coverage for employment related lawsuits, such as wrongful termination and discrimination, through participation in the Employment Risk Management Authority (ERMA). ERMA provides \$1 million in employment practices liability coverage. Additional limits are provided by PRISM.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

13. RISK MANAGEMENT, (continued)

Cyber Liability- This program provides coverage for information security & privacy liability, privacy notification costs, regulatory defense & penalties, website media content liability, cyber extortion, first party data protection & business interruption losses.

Alliant Deadly Weapon Response Program-The ADWRP program provides coverage for 3rd-party injuries while on City property, including defense costs, for which the City is legally liable where a weapon has been used or brandished. Weapon is broadly defined and can also include vehicles. The program also covers crisis management services and 1st-party property damage, including business interruption.

Crime Coverage- This program provides public employee dishonesty, forgery or alteration, and computer fraud coverage.

Special Events- The special events program is a fully insured program allowing members of the public to purchase liability insurance at a substantially reduced cost for functions (such as weddings, parades, meetings) held on City premises.

The claim liability of \$5,197,320 reported in the Government-Wide Statement of Net Position in accordance with generally accepted accounting principles, which require a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

Changes in claims liability amount for fiscal years 2021, 2022 and 2023 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Change in Estimates	Claims Payments	Balance at Fiscal Year End
2020 - 2021	\$ 3,986,143	\$ 1,064,751	\$ (221,916)	\$ 4,828,978
2021 - 2022	4,828,978	1,543,974	(425,018)	5,947,934
2022 - 2023	5,947,934	(614,232)	(136,382)	5,197,320

14. DEFINED BENEFIT PENSION PLANS

A summary of pension plans and related deferred inflows and outflows of resources which reconciles to the Statement of Net Position is as follows:

	PERS - Misc	PERS - Safety	PARS	Total
Net Pension Liability / (Asset)	\$ 41,497,103	\$ 72,856,402	\$ 10,026	\$ 114,363,531
Deferred Outflows - Pension Related	11,814,185	21,237,632	285,543	33,337,360
Deferred Inflows - Pension Related	656,286	2,085,890	-	2,742,176

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

14. DEFINED BENEFIT PENSION PLANS, (continued)

A. General Information about the Pension Plans

Plan Description

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2021 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

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

	Miscellaneous		
	Prior to January 1, 2011	On or after January 1, 2011 And prior to January 1, 2013	On or after January 1, 2013
Hire Date			
Benefit formula	3.0% @ 60	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-60	50-55	52-62
Required employer contribution rates	11.260%	11.260%	11.260%
	Safety		
	Prior to January 1, 2011	On or after January 1, 2011 And prior to January 1, 2013	On or after January 1, 2013
Hire Date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50
Required employer contribution rates	19.800%	19.800%	19.800%

14. DEFINED BENEFIT PENSION PLANS, (continued)

A. General Information about the Pension Plans, (continued)

Employees Covered

At June 30, 2021, (valuation date) the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	277	206
Inactive employees entitled to but not yet receiving benefits	206	74
Active employees	141	102
Total	<u>624</u>	<u>382</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023 for the miscellaneous and safety plans were \$5,144,034 and \$8,027,346, respectively.

B. Net Pension Liability

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

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

14. DEFINED BENEFIT PENSION PLANS, (continued)

B. Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous	Safety
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Fair Value of Assets	Fair Value of Assets
Actuarial Assumptions		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CALPERS' membership data for all funds	Derived using CALPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

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

Long-term Expected Rate of Return

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

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

14. DEFINED BENEFIT PENSION PLANS, (continued)

B. Net Pension Liability, (continued)

Long-term Expected Rate of Return (continued)

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

<u>Asset Class¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return ^{1,2}</u>
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.85%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

Change of Assumptions

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

Discount Rate

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

14. DEFINED BENEFIT PENSION PLANS, (continued)

B. Net Pension Liability, (continued)

Subsequent Events

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

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

Pension Plan Fiduciary Net Position

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

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

14. DEFINED BENEFIT PENSION PLANS, (continued)

C. Changes in Net Pension Liability

The following tables show the changes in net pension liability recognized over the measurement period for each plan.

Miscellaneous Plan:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)=(a)-(b)
Balance at: 6/30/2021 (VD)	<u>\$ 125,728,325</u>	<u>\$ 99,164,494</u>	<u>\$ 26,563,831</u>
Changes Recognized for the Measurement Period			
• Service Cost	1,996,533	-	1,996,533
• Interest on the Total Pension Liability	8,647,552	-	8,647,552
• Differences between Expected and Actual Experience	(1,125,062)	-	(1,125,062)
• Changes of Assumptions	3,393,444	-	3,393,444
• Net plan to plan resource movement		1,326	(1,326)
• Contributions from the Employer	-	4,676,417	(4,676,417)
• Contributions from the Employee	-	847,804	(847,804)
• Net Investment Income	-	(7,484,578)	7,484,578
• Benefit Payments, including Refunds of Employee Contributions	(7,336,269)	(7,336,269)	-
• Administrative Expense	-	(61,774)	61,774
• Other miscellaneous expense	-	-	-
Net Change during 2021-22	<u>5,576,198</u>	<u>(9,357,074)</u>	<u>14,933,272</u>
Balance at: 6/30/2022 (MD)	<u>\$ 131,304,523</u>	<u>\$ 89,807,420</u>	<u>\$ 41,497,103</u>

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

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

14. DEFINED BENEFIT PENSION PLANS, (continued)

C. Changes in Net Pension Liability, (continued)

Safety Plan:

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)=(a)-(b)
Balance at: 6/30/2021 (VD)	\$ 203,194,104	\$ 156,154,179	\$ 47,039,925
Changes Recognized for the Measurement Period			
• Service Cost	3,640,297	-	3,640,297
• Interest on the Total Pension Liability	14,074,261	-	14,074,261
• Differences between Expected and Actual Experience	(2,888,155)	-	(2,888,155)
• Changes of Assumptions	7,635,111	-	7,635,111
• Net plan to plan resource movement	-	(1,326)	1,326
• Contributions from the Employer	-	7,265,481	(7,265,481)
• Contributions from the Employee	-	1,308,329	(1,308,329)
• Net Investment Income	-	(11,830,172)	11,830,172
• Benefit Payments, including Refunds of Employee Contributions	(11,572,811)	(11,572,811)	-
• Administrative Expense	-	(97,275)	97,275
• Other miscellaneous expense	-	-	-
Net Change during 2021-22	10,888,703	(14,927,774)	25,816,477
Balance at: 6/30/2022 (MD)	\$ 214,082,807	\$ 141,226,405	\$ 72,856,402

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan's Net Pension Liability	\$ 57,585,547	\$ 41,497,103	\$ 28,132,926
Safety Plan's Net Pension Liability	102,080,356	72,856,402	48,977,580

14. DEFINED BENEFIT PENSION PLANS, (continued)

C. Changes in Net Pension Liability, (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

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

Difference between projected and actual earnings	5-year straight-line amortization
--	-----------------------------------

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

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

As of the start of the measurement period (July 1, 2021), the net pension liability for the Miscellaneous and Safety Plans is \$26,563,831 and \$47,039,925, respectively.

For the measurement period ending June 30, 2022 (the measurement date), the City incurred a pension expense of \$5,153,320 and \$8,871,086 for the Miscellaneous and Safety Plans, respectively. A complete breakdown of the pension expense is as follows:

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

14. DEFINED BENEFIT PENSION PLANS, (continued)

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

Miscellaneous Plan:

Description	Amount
Service Cost	\$ 1,996,533
Interest on the Total Pension Liability	8,647,552
Recognized Differences between Expected and Actual Experience	170,476
Recognized Changes in Assumptions	1,413,935
Net Plan to Plan Resource Movement	(1,326)
Employee Contributions	(847,804)
Projected Earnings on Pension Plan Investments	(6,769,215)
Recognized Differences between Projected and Actual Earnings on Plan Investments	481,395
Administrative Expense	61,774
Other Miscellaneous Expense	-
Total Pension Expense	\$ 5,153,320

Safety Plan:

Description	Amount
Service Cost	\$ 3,640,297
Interest on the Total Pension Liability	14,074,261
Recognized Differences between Expected and Actual Experience	113,348
Recognized Changes in Assumptions	2,120,864
Net Plan to Plan Resource Movement	1,326
Employee Contributions	(1,308,329)
Projected Earnings on Pension Plan Investments	(10,664,197)
Recognized Differences between Projected and Actual Earnings on Plan Investments	796,241
Administrative Expense	97,275
Other Miscellaneous Expense	-
Total Pension Expense	\$ 8,871,086

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

14. DEFINED BENEFIT PENSION PLANS, (continued)

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

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

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 261,038	\$ 656,286
Changes of Assumptions	1,979,509	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,429,604	-
Pension Contributions Subsequent to Measurement Date	5,144,034	-
Total	<u>\$ 11,814,185</u>	<u>\$ 656,286</u>

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 611,852	\$ -
Changes of Assumptions	5,514,247	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,084,187	2,085,890
Pension Contributions Subsequent to Measurement Date	8,027,346	-
Total	<u>\$ 21,237,632</u>	<u>\$ 2,085,890</u>

These amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period expense. Contributions subsequent to the measurement date of \$5,144,034 and \$8,027,346 for the Miscellaneous and Safety Plans respectively, reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

14. DEFINED BENEFIT PENSION PLANS, (continued)

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

Miscellaneous Plan:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ 1,895,513
2025	985,825
2026	281,770
2027	2,850,757
2028	-
Thereafter	-
Total	<u>\$ 6,013,865</u>

Safety Plan:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ 2,921,790
2025	2,452,059
2026	1,251,674
2027	4,498,873
2028	-
Thereafter	-
Total	<u>\$ 11,124,396</u>

E. Payable to the Pension Plan

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

15. RETIREMENT ENHANCEMENT PLAN

A. PARS Retirement Enhancement Plan

Plan Description

The plan is an enhanced agent pension plan administered, an agent multiple employer plan, by Public Agency Retirement Services (PARS). The plan enhancement was designed to provide a retirement factor of 3.0% at 60. At the time the plan was implemented, the CalPERS benefit only extended to 2.0% at 55. The plan was closed on January 13, 2006 when employees voted to change to the 3.0% at 60 benefit formula through CalPERS. At this time, the nature of the plan changed, and the participants were divided into three groups, those that were already retired and receiving the defined benefit of the enhancement plan, those that are currently inactive and will not receive a defined benefit payment but do have their contributions set aside and available at retirement, and one active employee.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

15. RETIREMENT ENHANCEMENT PLAN, (continued)

A. PARS Retirement Enhancement Plan, (continued)

Benefits Provided

The benefit provided by PARS is equal to a percentage of the highest pay multiplied by years of service, with the percentage varying by retirement age based on a modified 3.0% target offset by CalPERS 3.0% at 60 formula for current actives. There are no active participants and twenty-one former employees who retired with PARS or are currently considered inactive. Benefits are increased by a 2% annual COLA after retirement. The plan has been closed to new entrants since January 7, 2006. Employees that elected to change over to the CalPERS 3.0% at 60 formula will receive their contributions made to the plan in a lump sum payment upon retirement.

The Plan's provisions and benefits in effect at June 30, 2022, (measurement date) are summarized as follows:

	Group I Terminate before January 13, 2006	Group II Inactive employees Not yet retired	Group III Active Employee
Hire Date			
Benefit formula	Modified 3.0% @ 60	Closed Plan	Modified 3.0% @ 60
Benefit vesting schedule	City CalPERS Service	Vested	City CalPERS Service
Benefit payments	monthly for life-offset by CalPERS Benefit at Retirement	Accumulated Contributions	monthly for life-offset by CalPERS Benefit at Retirement
Retirement age	55-63	55-60	55-60
Monthly benefits, as a % of eligible compensation combined with CalPERS	2.5%-3.0%	N/A	2.7%-3.0%
Required employee contribution rates	N/A	N/A	1.5%
Required employer contribution rates	Closed group-Normal Cost	Closed Program	Closed group-Normal Cost

Employees Covered

At January 1, 2021 (valuation date), the following employees were covered by the benefit terms:

	PARS
Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	3
Active employees	-
Total	21

Contributions

The annual contribution for the PARS plan is determined on an actuarial basis. For the measurement period ended June 30, 2022 (the measurement date), the active employee contribution rate for the plan is 1.5% of annual pay. There are, however, no longer any active employees under this plan. The employer contributes an amount determined by an actuarial study performed at least every two years as long as the Plan exists. This is a closed plan.

15. RETIREMENT ENHANCEMENT PLAN, (continued)

A. PARS Retirement Enhancement Plan, (continued)

Contributions (continued)

The City’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of January 1, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the January 1, 2021 total pension liability. The June 30, 2021 and June 30, 2022 total pension liabilities were based on the following actuarial methods and assumptions:

	PARS
Valuation Date	January 1, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal, Level % of Pay
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Actuarial Assumptions	
Discount Rate	5.50% at June 30, 2022, and June 30, 2021
Inflation	2.50%
Mortality Rate Table	Mortality projected fully generational with Scale MP-2020

Discount Rate

The discount rate used to measure the total pension liability was 5.50%. The City chose a Moderate Risk Investment Strategy when setting up this plan. The current 5.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 5.50% is applied to the plan. Administrative expenses are expected to be 0.6% of assets, this is added to the discount rate bringing the Expected Long-Term Net Rate of Return to 5.50%.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 5.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 0.6% of assets. An investment return excluding administrative expenses would have been 6.56%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the plan. Refer to the *sensitivity of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

15. RETIREMENT ENHANCEMENT PLAN, (continued)

B. Net Pension Liability, (continued)

Discount Rate (continued)

The following table reflects long-term expected real rate of return by asset class. Approximate expected real rates of return provided by Foster & Foster's 2021 capital market assumptions which are based on a survey of various investment advisors' expected asset class returns. These geometric rates of return are net of administrative expenses.

	Target Allocation PARS - Moderate	Expected Real Return
PARS Moderate Investment Policy		
Global Equity	50.00%	4.56%
Fixed Income	45.00%	0.78%
Cash	5.00%	-0.50%
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		5.50%

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in the City's GASB 68 Employer Accounting Information report. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

15. RETIREMENT ENHANCEMENT PLAN, (continued)

C. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)=(a)-(b)
Balance at 6/30/2021 (MD)	\$ 2,428,759	\$ 2,884,551	\$ (455,792)
Changes Recognized for the Measurement Period			
• Service Cost	-		-
• Interest on the Total Pension Liability	127,971		127,971
• Net Investment Income	-	(328,943)	328,943
• Benefit Payments, including Refunds of Employee Contributions.	(204,052)	(204,052)	-
• Administrative Expenses	-	(8,904)	8,904
Net Change	(76,081)	(541,899)	465,818
Balance at: 6/30/2022 (MD)	\$ 2,352,678	\$ 2,342,652	\$ 10,026

Measurement Date (MD)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 5.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50 percent) or 1 percentage-point higher (6.50 percent) than the current rate:

	Discount Rate - 1% (4.50%)	Current Discount Rate (5.50%)	Discount Rate + 1% (6.50%)
PARS Plan's Net Pension Liability/(Asset)	\$ 204,414	\$ 10,026	\$ (159,527)

15. RETIREMENT ENHANCEMENT PLAN, (continued)

C. Changes in the Net Pension Liability, (continued)

Subsequent Events

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

Recognition of Gains and Losses

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the 2021-22 measurement period is 0.0 years, which was obtained by dividing the total service years of 0 (the sum of the remaining service lifetimes of the active employee) by 21 (the total number of participants: active, inactive, and retired). The reason the EARSL is 0 is that this is a closed plan and there are no active employees with no remaining service life. The last active employee left the City in fiscal year 2018. There are 21 total covered employees. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

As of the start of the measurement period (July 1, 2022), the net pension asset is \$455,792.

For the measurement period ending June 30, 2022 (the measurement date), the City incurred pension expense of \$26,940 for the Plan. A complete breakdown of the pension income is as follows:

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

15. RETIREMENT ENHANCEMENT PLAN, (continued)

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

Description	Amount
Service Cost	\$ -
Interest on the Total Pension Liability	127,971
Projected Earnings on Investments	(152,457)
Employee Contributions	-
Administrative Expenses	8,904
Experience	-
Assumptions	-
Asset returns	42,522
Total Pension Expense (Income)	\$ 26,940

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 205,543	\$ -
Pension Contributions Subsequent to Measurement Date	80,000	-
Total	\$ 285,543	\$ -

These amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period expense. Contributions subsequent to the measurement date of \$80,000 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ (39,830)
2025	(38,470)
2026	(30,963)
2027	(96,280)
2028	-
Thereafter	-
Total	\$ (205,543)

E. Payable to the Pension Plan

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

16. COMMITMENTS AND CONTINGENCIES

Lawsuits in the Normal Course of Business

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

17. RELATED PARTY TRANSACTIONS

On November 25, 2008, the City entered into a Purchase and Sale Agreement with the Redevelopment Agency to sell certain real property located at 8181 Allison Avenue, La Mesa, California at the appraised value of \$8,350,000 for the purposes of increasing, improving and preserving the community's supply of housing available at affordable cost to persons and families of low or moderate income. The Agency made an initial payment of \$1,000,000 at closing and issued a promissory note to the City for \$7,350,000.

The outstanding balance was transferred from the Agency to the Successor Agency on February 1, 2012 as part of the dissolution of redevelopment. At June 30, 2023, the outstanding balance of the advances from the City to the Successor Agency relating to this transaction was \$5,300,000.

On August 23, 2012, the City of La Mesa acting as Successor Agency filed the Recognized Obligation Payment Schedule (ROPS III) for the January through June 2013 time period. As it had been for all previous ROPS, included on the ROPS III was the outstanding loan balance (\$5,300,000 at June 30, 2012) for the Police Station Land Sale between the General Fund and the Successor Agency and the related annual debt service (\$750,000 per year). The Department of Finance denied the debt on the ROPS III as an enforceable obligation, despite approving it on all previous ROPS, stating:

HSC section 34171 (d) defines enforceable obligations. Based on our review and application of the law, Item No.5- a loan agreement between the City of La Mesa (City) and the Agency in the amount of \$5.3 million is not an enforceable obligation. The loan was used to purchase the land under the police station. HSC section 34171 (d) (2) states that agreements between the City and the Agency are not enforceable.

The City requested a Meet and Confer with the Department of Finance, which was held on November 21, 2012. On December 19, 2012, the City received a determination from the Department of Finance that upheld the original determination to deny both the outstanding loan balance and related annual debt service as enforceable obligations. However, on December 7, 2017, the Oversight Board for the Successor Agency approved a repayment schedule in accordance with the maximum repayment amounts specified in the Dissolution Law including H&S Code Section 34191.4(b)(3) until the loan is repaid in full. On January 23, 2018, the Department of Finance issued a Determination Letter, approving the loan balance of \$5,300,000. Repayments of this loan will begin after other Deferrals listed on the ROPS are repaid.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

18. SUCCESSOR AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of La Mesa that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

In accordance with the Bill, on January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution. The Successor Agency is subject to the control of the oversight board and remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

19. SUCCESSOR AGENCY LONG-TERM DEBT

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

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

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due Within One Year	Due in More Than One Year
Bonds payable:						
1998-1 AD improvement bonds	\$ 955,000	\$ -	\$ (465,000)	\$ 490,000	\$ 490,000	\$ -
Total	\$ 955,000	\$ -	\$ (465,000)	\$ 490,000	\$ 490,000	\$ -

1998-1 AD Improvement Bonds

On June 24, 1998, the City issued Assessment District No. 1998-1 Limited Obligation Improvement Bonds in the amount of \$6,825,000 bearing interest rates of 4.25-5.60% with maturity dates from September 2, 1999 to 2023. The Bonds were issued to provide funding for the acquisition of certain storm drains, surface improvements, rights-of-way associated with the improvements, to pay the costs of issuance and to establish a Reserve Fund. Interest is payable on March 2 and September 2 each year commencing March 2, 1999. The outstanding balance as of June 30, 2023 was \$490,000. The Successor Agency has pledged a portion of future property tax increment revenue to repay the Alvarado Creek AD 1998-1 Improvement Bonds. Total principal and interest remaining on the bonds is \$504,088 payable through 2024.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

19. SUCCESSOR AGENCY LONG-TERM DEBT, (continued)

The annual debt service requirements for the Bonds outstanding at June 30, 2023 were as follows:

1998-1 AD Improvement Bonds			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 490,000	\$ 14,088	\$ 504,088
Total	\$ 490,000	\$ 14,088	\$ 504,088

20. RISK, UNCERTAINTIES & CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Successor Agency

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2023 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

In October 2014, the City received a letter from the State Controller's Office stating that the City's general government received an unallowable transfer of \$2,409,056 in assets from the then RDA. The State Controller's Office is requesting that the unallowable transfers be returned to the now Successor Agency.

The City will perform an analysis of available Successor Agency financial records to establish a reasonable plan for repaying the verified amount of "unallowable" transfer made in fiscal year 2014.

CITY OF LA MESA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

21. PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment to capital assets in the governmental activities, business-type activities and wastewater fund due to correction of prior year errors.

<i>Government-wide Statements - Statement of Activities</i>	<i>Governmental Activities</i>
Net position, beginning of year, prior to restatement	\$ 143,082,696
Prior period restatement	(498,125)
Net position, beginning of year, as restated	<u>\$ 142,584,571</u>

<i>Government-wide Statements - Statement of Activities</i>	<i>Business-Type Activities</i>
Net position, beginning of year, prior to restatement	\$ 26,164,189
Prior period restatement	370,935
Net position, beginning of year, as restated	<u>\$ 26,535,124</u>

<i>Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds</i>	<i>Wastewater Fund</i>
Net position, beginning of year, prior to restatement	\$ 26,164,189
Prior period restatement	370,935
Net position, beginning of year, as restated	<u>\$ 26,535,124</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LA MESA
Required Supplementary Information
Budgetary Information
For the Year Ended June 30, 2023

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The biennial budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
- The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. All transfers between funds, departments and/or activities shall be made by the City Council except that the City Manager may, on his own initiative and without prior approval of the City Council, transfer between budget accounts within a single department or activity to any other account or appropriation, or to the reserve, amounts determined to be in excess of actual requirements. Budget figures used in the financial statements are the final adjusted amounts.
- Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures.
- Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with generally accepted accounting principles in the United States (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgetary amounts without any significant reconciling items. No budgetary comparisons are presented for the Debt Service and Capital Projects Funds since no "annual" budget is adopted for these funds. No budgetary comparisons are presented for proprietary fund types, as the City is not legally required to adopt a budget for these types of funds.

CITY OF LA MESA
Required Supplementary Information
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2023

The following is a budget comparison schedule for the General Fund.

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Fund Balances - Beginning	\$ 58,983,932	\$ 58,983,932	\$ 58,983,932	\$ -
Resources (inflows):				
Property taxes	17,182,840	17,182,840	18,418,083	1,235,243
Other taxes	34,307,680	34,307,680	37,372,154	3,064,474
Licenses and permits	1,605,900	1,605,900	2,473,422	867,522
Fines and forfeitures	433,000	433,000	442,809	9,809
Use of money and property	1,766,140	1,766,140	3,510,031	1,743,891
Intergovernmental	1,655,650	1,655,650	1,701,778	46,128
Charges for services	2,376,620	2,376,620	3,413,608	1,036,988
Other revenues	3,280,000	3,361,550	1,261,304	(2,100,246)
Transfers from other funds	3,090,200	3,090,200	2,122,249	(967,951)
Amount available for appropriations	124,681,962	124,763,512	129,699,370	4,935,858
Charges to appropriations (outflows):				
General government	8,646,370	11,591,975	7,151,776	4,440,199
Police	24,416,480	24,588,600	22,793,662	1,794,938
Fire	14,218,520	14,607,596	14,308,258	299,338
Public works	11,168,800	11,795,327	8,997,778	2,797,549
Community development	2,484,300	3,245,254	2,338,650	906,604
Community services	2,121,030	2,171,547	2,194,954	(23,407)
Capital outlay	-	-	1,456,400	(1,456,400)
Debt service:				
Principal retirement	-	-	460,488	(460,488)
Interest and fiscal charges	-	-	9,134	(9,134)
Transfers to other funds	2,345,030	4,976,900	1,644,291	3,332,609
Lease acquisition	-	-	(1,456,400)	1,456,400
Total charges to appropriations	65,400,530	72,977,199	59,898,991	13,078,208
Fund Balances - Ending	\$ 59,281,432	\$ 51,786,313	\$ 69,800,379	\$ 18,014,066

CITY OF LA MESA
Required Supplementary Information
Budgetary Comparison Schedule – Miscellaneous Grants Fund
For the Year Ended June 30, 2023

The following is a budget comparison schedule for the Miscellaneous Grants Fund.

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Fund Balances (Deficit) - Beginning	\$ (274,080)	\$ (274,080)	\$ (274,080)	\$ -
Resources (inflows):				
Intergovernmental	-	-	736,931	736,931
Amount available for appropriations	(274,080)	(274,080)	462,851	736,931
Charges to appropriations (outflows):				
Police	287,430	287,430	238,065	49,365
Community development	1,985,200	2,196,250	562,346	1,633,904
Total charges to appropriations	2,272,630	2,483,680	800,411	1,683,269
Fund Balances (Deficit) - Ending	<u>\$ (2,546,710)</u>	<u>\$ (2,757,760)</u>	<u>\$ (337,560)</u>	<u>\$ 2,420,200</u>

CITY OF LA MESA
Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios
Last Ten Years*

Miscellaneous Plan

	Measurement date								
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
TOTAL PENSION LIABILITY									
Service Cost	\$ 1,725,483	\$ 1,605,289	\$ 1,587,287	\$ 1,736,333	\$ 1,745,608	\$ 1,735,047	\$ 1,821,665	\$ 1,895,297	\$ 1,996,533
Interest on Total Pension Liability	6,602,641	6,823,080	7,124,332	7,316,806	7,602,090	7,944,529	8,219,050	8,555,981	8,647,552
Difference Between Expected and Actual Experience	-	(1,101,092)	263,533	(5,847)	1,300,541	1,569,003	507,760	1,305,190	(1,125,062)
Changes of Assumptions	-	(1,539,484)	-	5,617,856	(661,183)	-	-	-	3,393,444
Benefit Payments, Including Refunds of Employee Contributions	(4,351,133)	(4,592,998)	(4,896,950)	(5,490,512)	(5,923,785)	(6,320,349)	(6,462,046)	(6,878,738)	(7,336,269)
Net Change in Total Pension Liability	3,976,991	1,194,795	4,078,202	9,174,636	4,063,271	4,928,230	4,086,429	4,877,730	5,576,198
Total Pension Liability - Beginning	89,348,041	93,325,032	94,519,827	98,598,029	107,772,665	111,835,936	116,764,166	120,850,595	125,728,325
Total Pension Liability - Ending (a)	93,325,032	94,519,827	98,598,029	107,772,665	111,835,936	116,764,166	120,850,595	125,728,325	131,304,523
PLAN FIDUCIARY NET POSITION									
Contributions - Employer	2,018,839	2,233,832	2,553,613	2,693,445	3,000,728	3,398,605	3,871,245	4,230,939	4,676,417
Contributions - Employee	793,357	699,783	727,594	761,773	739,434	751,231	790,692	852,004	847,804
Net Investment Income	10,477,342	1,548,306	378,797	7,561,152	6,214,843	5,041,276	4,031,596	18,659,358	(7,484,578)
Benefit Payments, Including Refunds of Employee Contributions	(4,351,133)	(4,592,998)	(4,896,950)	(5,490,512)	(5,923,785)	(6,320,349)	(6,462,046)	(6,878,738)	(7,336,269)
Net Plan to Plan Resource Movement	-	-	-	-	(180)	-	-	-	1,326
Administrative Expense	-	(78,335)	(42,421)	(100,879)	(114,925)	(55,269)	(113,154)	(82,296)	(61,774)
Other Miscellaneous Income/(Expense)	-	-	-	-	(218,244)	180	-	-	-
Net Change in Fiduciary Net Position	8,938,405	(189,412)	(1,279,367)	5,424,979	3,697,871	2,815,674	2,118,333	16,781,267	(9,357,074)
Plan Fiduciary Net Position - Beginning	60,856,744	69,795,149	69,605,737	68,326,370	73,751,349	77,449,220	80,264,894	82,383,227	99,164,494
Plan Fiduciary Net Position - Ending (b)	69,795,149	69,605,737	68,326,370	73,751,349	77,449,220	80,264,894	82,383,227	99,164,494	89,807,420
Plan Net Position Liability - Ending (a) - (b)	\$ 23,529,883	\$ 24,914,090	\$ 30,271,659	\$ 34,021,316	\$ 34,386,716	\$ 36,499,272	\$ 38,467,368	\$ 26,563,831	\$ 41,497,103
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.79%	73.64%	69.30%	68.43%	69.25%	68.74%	68.17%	78.87%	68.40%
Covered Payroll	\$ 9,338,814	\$ 9,805,687	\$ 10,775,401	\$ 10,782,250	\$ 9,713,133	\$ 10,004,158	\$ 9,771,136	\$ 9,799,062	\$ 10,158,798
Plan Net Pension Liability as a Percentage of Covered Payroll	251.96%	254.08%	280.93%	315.53%	354.02%	364.84%	393.68%	271.09%	408.48%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation.

Notes to Schedule:

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

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

CITY OF LA MESA
Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios
Last Ten Years*

(Continued)

Safety Plan

	Measurement date								
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
TOTAL PENSION LIABILITY									
Service Cost	\$ 2,511,204	\$ 2,407,587	\$ 2,403,285	\$ 2,727,872	\$ 3,179,247	\$ 3,150,403	\$ 3,248,296	\$ 3,343,416	\$ 3,640,297
Interest on Total Pension Liability	10,771,035	11,178,436	11,527,490	11,719,571	12,328,071	12,871,590	13,344,226	13,814,851	14,074,261
Difference Between Expected and Actual Experience	-	(161,921)	(697,636)	(1,952,708)	3,953,305	2,005,205	926,691	721,003	(2,888,155)
Changes of Assumptions	-	(2,742,320)	-	9,776,293	(937,052)	-	-	-	7,636,111
Benefit Payments, Including Refunds of Employee Contributions	(7,575,744)	(8,057,546)	(8,589,274)	(8,796,139)	(9,561,683)	(10,231,175)	(10,543,526)	(11,014,303)	(11,572,811)
Net Change in Total Pension Liability	5,706,495	2,624,236	4,643,865	13,474,889	8,961,888	7,796,023	6,975,687	6,864,967	10,889,703
Total Pension Liability - Beginning	146,146,054	151,852,549	154,476,785	159,120,650	172,595,539	181,557,427	189,353,450	196,329,137	203,194,104
Total Pension Liability - Ending (a)	151,852,549	154,476,785	159,120,650	172,595,539	181,557,427	189,353,450	196,329,137	203,194,104	214,083,807
PLAN FIDUCIARY NET POSITION									
Contributions - Employer	2,864,566	3,238,613	3,767,485	4,477,395	4,559,719	5,192,920	5,934,636	6,493,887	7,265,481
Contributions - Employee	804,337	840,213	891,198	996,668	1,045,575	1,083,318	1,191,676	1,350,773	1,308,329
Net Investment Income	17,292,426	2,541,555	564,745	12,085,214	9,928,189	8,023,831	6,295,868	29,372,461	(11,830,172)
Benefit Payments, Including Refunds of Employee Contributions	(7,575,744)	(8,057,546)	(8,589,274)	(8,796,139)	(9,561,683)	(10,231,175)	(10,543,526)	(11,014,303)	(11,572,811)
Net Plan to Plan Resource Movement	-	-	-	-	(288)	-	-	-	(1,326)
Administrative Expense	-	(126,940)	(68,743)	(161,464)	(183,818)	(88,062)	(179,578)	(129,943)	(97,275)
Other Miscellaneous Income/(Expense)	-	-	-	-	(349,074)	288	-	-	-
Net Change in Fiduciary Net Position	13,385,585	(1,564,105)	(3,434,589)	8,601,674	5,438,620	3,981,120	2,699,076	26,072,875	(14,927,774)
Plan Fiduciary Net Position - Beginning	100,973,923	114,359,508	112,795,403	109,360,814	117,962,488	123,401,108	127,382,228	130,081,304	156,154,179
Plan Fiduciary Net Position - Ending (b)	114,359,508	112,795,403	109,360,814	117,962,488	123,401,108	127,382,228	130,081,304	156,154,179	141,226,405
Plan Net Position Liability - Ending (a) - (b)	\$ 37,493,041	\$ 41,681,382	\$ 49,759,836	\$ 54,633,051	\$ 58,156,319	\$ 61,971,222	\$ 66,247,833	\$ 47,039,925	\$ 72,857,402
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.31%	73.02%	68.73%	68.35%	67.97%	67.27%	66.26%	76.85%	65.97%
Covered Payroll	\$ 9,120,009	\$ 9,288,796	\$ 9,570,037	\$ 9,992,870	\$ 9,226,022	\$ 9,535,932	\$ 10,584,174	\$ 10,463,333	\$ 11,505,777
Plan Net Pension Liability as a Percentage of Covered Payroll	411.11%	448.73%	519.95%	546.72%	630.35%	649.87%	625.91%	449.57%	633.22%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation.

Notes to Schedule:

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

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

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CITY OF LA MESA
Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios
Last Ten Years*

(Concluded)

PARS Retirement Enhancement Plan

	Measurement date								
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
TOTAL PENSION LIABILITY									
Service Cost	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 1,527	\$ -	\$ -	\$ -	\$ -
Interest on Total Pension Liability	171,000	171,000	178,000	178,000	159,542	157,449	142,093	138,733	127,971
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	-	(1,000)	-	(154,000)	-	(215,926)	-	17,508	-
Changes of Assumptions	-	118,000	-	77,000	-	(7,519)	-	60,325	-
Benefit Payments, Including Refunds of Employee Contributions	(174,000)	(178,000)	(179,000)	(187,000)	(188,512)	(192,282)	(196,128)	(200,051)	(204,052)
Net Change in Total Pension Liability	-	113,000	2,000	(83,000)	(27,443)	(258,278)	(54,035)	16,515	(76,081)
Total Pension Liability - Beginning	2,720,000	2,720,000	2,833,000	2,835,000	2,752,000	2,724,557	2,466,279	2,412,244	2,428,759
Total Pension Liability - Ending (a)	2,720,000	2,833,000	2,835,000	2,752,000	2,724,557	2,466,279	2,412,244	2,428,759	2,352,678
PLAN FIDUCIARY NET POSITION									
Contributions - Employer	106,000	105,800	118,000	118,000	125,000	125,000	125,000	125,000	-
Contributions - Employee	1,000	1,000	2,000	1,000	1,127	-	-	-	-
Net Investment Income	275,000	60,000	50,000	187,000	123,563	134,170	106,642	472,636	(328,943)
Benefit Payments, Including Refunds of Employee Contributions	(174,000)	(178,000)	(179,000)	(187,000)	(188,512)	(192,282)	(196,128)	(200,051)	(204,052)
Administrative Expenses	(22,000)	(22,000)	(21,000)	(8,000)	(8,370)	(8,556)	(8,629)	(8,859)	(8,904)
Other Changes in Fiduciary Net Position	-	-	-	-	-	-	-	-	-
Net Change in Fiduciary Net Position	186,000	(33,200)	(30,000)	111,000	52,808	58,332	26,885	388,726	(541,899)
Plan Fiduciary Net Position - Beginning	2,124,000	2,310,000	2,276,800	2,246,800	2,357,800	2,410,608	2,468,940	2,495,825	2,884,551
Plan Fiduciary Net Position - Ending (b)	2,310,000	2,276,800	2,246,800	2,357,800	2,410,608	2,468,940	2,495,825	2,884,551	2,342,652
Plan Net Position Liability / (Asset) - Ending (a) - (b)	\$ 410,000	\$ 556,200	\$ 588,200	\$ 394,200	\$ 313,949	\$ (2,661)	\$ (83,581)	\$ (455,792)	\$ 10,026
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.93%	80.37%	79.25%	85.68%	88.48%	100.11%	103.46%	118.77%	99.57%
Covered Payroll	\$ 97,932	\$ 100,872	\$ 103,896	\$ 105,972	\$ 108,096	\$ 108,096	\$ 113,544	\$ 113,544	\$ 113,544
Plan Net Pension Liability / (Asset) as a Percentage of Covered Payroll	418.66%	551.39%	566.14%	371.99%	290.44%	-2.46%	-73.61%	-401.42%	8.83%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation.

Notes to Schedule:

Changes in Assumptions for Measurement Date June 30, 2022:

None

CITY OF LA MESA
Required Supplementary Information
Schedule of Plan Contributions
Last Ten Years*

Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 2,018,839	\$ (2,018,839)	\$ -	\$ 9,805,687	20.59%
6/30/2016	2,233,832	(2,233,832)	-	10,775,401	20.73%
6/30/2017	2,553,613	(2,553,613)	-	10,782,250	23.68%
6/30/2018	2,693,445	(2,693,445)	-	9,713,133	27.73%
6/30/2019	3,000,728	(3,000,728)	-	10,004,158	29.99%
6/30/2020	3,398,605	(3,398,605)	-	9,771,136	34.78%
6/30/2021	3,874,245	(3,874,245)	-	9,799,062	39.54%
6/30/2022	4,230,939	(4,230,939)	-	10,158,798	41.65%
6/30/2023	5,144,034	(5,144,034)	-	10,630,644	48.39%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were from the June 30, 2021 Funding Valuation Report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method/Period	For details, see June 30, 2021 Funding Valuation Report.
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

CITY OF LA MESA
Required Supplementary Information
Schedule of Plan Contributions
Last Ten Years*

(Continued)

Safety Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 6,864,566	\$ (6,864,566)	\$ -	\$ 9,288,796	73.90%
6/30/2016	3,238,613	(3,238,613)	-	9,570,037	33.84%
6/30/2017	3,767,485	(3,767,485)	-	9,992,870	37.70%
6/30/2018	4,477,395	(4,477,395)	-	9,226,022	48.53%
6/30/2019	4,559,719	(4,559,719)	-	9,535,932	47.82%
6/30/2020	5,192,920	(5,192,920)	-	10,584,174	49.06%
6/30/2021	5,934,636	(5,934,636)	-	10,463,333	56.72%
6/30/2022	6,493,887	(6,493,887)	-	11,505,777	56.44%
6/30/2023	8,027,346	(8,027,346)	-	12,204,552	65.77%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were from the June 30, 2021 Funding Valuation Report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method/Period	For details, see June 30, 2021 Funding Valuation Report.
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

CITY OF LA MESA
Required Supplementary Information
Schedule of Plan Contributions
Last Ten Years*

(Concluded)

PARS Retirement Enhancement Plan

Fiscal Year	Actuarially Determined Contribution ¹	Contributions in Relation to the Actuarially Determined Contribution ²	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 105,800	\$ (105,800)	\$ -	\$ 100,872	104.89%
6/30/2016	118,300	(118,300)	-	103,896	113.86%
6/30/2017	-	-	-	105,972	0.00%
6/30/2018	114,700	(125,000)	(10,300)	108,096	106.11%
6/30/2019	114,700	(125,000)	(10,300)	108,096	106.11%
6/30/2020	22,800	(125,000)	(102,200)	113,544	20.08%
6/30/2021	22,800	(125,000)	(102,200)	113,544	20.08%
6/30/2022	-	(25,689)	(25,689)	113,544	0.00%
6/30/2023	-	(80,000)	(80,000)	120,468	0.00%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation.

Notes to Schedule:

¹Actuarially Determined Contributions from actuarial valuation.

²Actual contributions from City data.

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

Fiscal Year Measurement Period	2017-18 2016-17	2018-19 2017-18	2019-20 2018-19	2020-21 2019-20	2021-22 2020-21	2022-23 2021-22
Total OPEB Liability						
Service cost	\$ 177,546	\$ 189,976	\$ 195,675	\$ 210,776	\$ 104,011	\$ 180,768
Interest	450,042	465,322	479,727	516,097	415,772	453,954
Differences between expected and actual experience	-	-	514,636	(1,494,978)	588,094	(86,159)
Changes of assumptions	-	-	(176,855)	-	82,245	614,946
Benefit payments	(393,258)	(450,210)	(460,206)	(566,820)	(549,584)	(510,878)
Net change in total OPEB liability	234,330	205,088	552,977	(1,334,925)	640,538	652,631
Total OPEB liability - beginning	6,448,258	6,682,588	6,887,676	7,440,653	6,105,728	6,746,266
Total OPEB liability - ending (a)	6,682,588	6,887,676	7,440,653	6,105,728	6,746,266	7,398,897
Plan Fiduciary Net Position						
Contributions – employer	673,038	744,210	910,206	1,046,550	1,034,864	883,007
Net investment income	240,564	216,245	221,144	155,315	1,279,360	(889,675)
Benefit payments	(393,258)	(450,210)	(460,206)	(566,820)	(549,584)	(510,878)
Administrative expense	(1,213)	(1,484)	(1,653)	(1,959)	(1,763)	(1,627)
Other expense	-	(3,534)	-	-	-	-
Net change in plan fiduciary net position	519,131	505,227	669,491	633,086	1,762,877	(519,173)
Plan fiduciary net position - beginning	2,152,522	2,671,653	3,176,880	3,846,371	4,479,457	6,242,334
Plan fiduciary net position - ending (b)	2,671,653	3,176,880	3,846,371	4,479,457	6,242,334	5,723,161
Net OPEB liability - ending (a) - (b)	\$ 4,010,935	\$ 3,710,796	\$ 3,594,282	\$ 1,626,271	\$ 503,932	\$ 1,675,736
Plan fiduciary net position as a percentage of the total OPEB liability	40.0%	46.1%	51.7%	73.4%	92.5%	77.4%
Covered payroll	\$ 20,699,310	\$ 21,602,500	\$ 22,439,700	\$ 23,695,500	\$ 30,502,020	\$ 28,565,459
Net OPEB liability as a percentage of covered payroll	19.4%	17.2%	16.0%	6.9%	1.7%	5.9%

Notes to Schedule:

Methods and Assumptions for 2021-2022 Actuarially Determined Contribution

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age normal, level percentage of payroll
Amortization Methodology	Straight-line amortization. For assumption changes and experience gains/losses: Expected Average Remaining Service Lifetime of all members that are provided with benefits. For asset gains and losses: 5 years.
Asset Valuation Method	Market value
Discount Rate	6.00% as of July 1, 2022 and 6.80% as of June 30, 2021 for accounting disclosure purposes
General Inflation	2.80%
Medical Trend	6.5% for 2022, decreasing to an ultimate rate of 4.5% in 2030 and later years
Mortality	Employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021. Disabled Retirees: SOA Pub-2010 Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal year 2017-18 was the first year of implementation.

CITY OF LA MESA
Required Supplementary Information
Schedule of OPEB Contributions
Last Ten Years*

<u>Fiscal Year</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-2022</u>	<u>2022-2023</u>
Actuarially Determined Contribution (ADC)	\$ 564,577	\$ 582,063	\$ 588,161	\$ 582,847	\$ 549,584	\$ 549,584
Contributions in relation to the ADC	673,038	744,210	719,379	1,046,550	1,034,864	883,007
Contribution deficiency (excess)	<u>\$ (108,461)</u>	<u>\$ (162,147)</u>	<u>\$ (131,218)</u>	<u>\$ (463,703)</u>	<u>\$ (485,280)</u>	<u>\$ (333,423)</u>
Covered payroll	\$ 20,699,310	\$ 21,602,500	\$ 22,439,700	\$ 23,695,500	\$ 30,502,020	\$ 28,565,459
Contributions as a percentage of covered payroll	3.3%	3.4%	3.2%	4.4%	3.4%	3.1%

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal year 2017-18 was the first year of implementation.

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

CITY OF LA MESA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

SPECIAL REVENUE FUNDS				
	Housing Rehabilitation/ CDBG Administration	Gas Tax	Transportation Improvement	Street Parking
Assets				
Cash and investments	\$ 236,514	\$ 1,829,781	\$ -	\$ 641,087
Restricted:				
Cash and investments	-	-	-	-
Receivables:				
Accounts	1,319	135,137	-	2,908
Loans	117,017	-	-	-
Grants	27,716	-	-	-
Lease	-	-	-	-
Land held for resale	-	-	-	-
Total assets	\$ 382,566	\$ 1,964,918	\$ -	\$ 643,995
Liabilities				
Accounts payable	\$ 7,500	\$ -	\$ -	\$ 12,259
Salaries payable	-	-	-	2,682
Due to other funds	-	-	9,152	-
Total liabilities	7,500	-	9,152	14,941
Deferred Inflows of Resources				
Unearned revenue - housing rehab loans	117,017	-	-	-
Unavailable revenue - grants	-	-	-	-
Leases	-	-	-	-
Total deferred inflows of resources	117,017	-	-	-
Fund Balances				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Capital outlays	-	1,964,918	-	-
Community services	-	-	-	-
Community development	258,049	-	-	629,054
Debt service	-	-	-	-
Unassigned	-	-	(9,152)	-
Total fund balances (deficit)	258,049	1,964,918	(9,152)	629,054
Total liabilities, deferred inflows of resources and fund balances	\$ 382,566	\$ 1,964,918	\$ -	\$ 643,995

(Continued)

SPECIAL REVENUE FUNDS					
Environmental Services	Community Service Improvement	Public Safety Augmentation	County Housing	Drug Asset Seizure	Supplemental Law Enforcement
\$ 62,166	\$ 115,255	\$ 821,547	\$ 555,486	\$ 155,243	\$ 444,876
-	-	-	-	-	-
2,048	1,474	34,378	-	753	1,568
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 64,214	\$ 116,729	\$ 855,925	\$ 555,486	\$ 155,996	\$ 446,444
\$ 8,127	\$ -	\$ -	\$ -	\$ -	\$ -
8,529	-	-	-	-	-
-	-	-	-	-	-
16,656	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
47,558	-	-	-	-	-
-	-	855,925	-	155,996	446,444
-	-	-	-	-	-
-	116,729	-	-	-	-
-	-	-	555,486	-	-
-	-	-	-	-	-
-	-	-	-	-	-
47,558	116,729	855,925	555,486	155,996	446,444
\$ 64,214	\$ 116,729	\$ 855,925	\$ 555,486	\$ 155,996	\$ 446,444

CITY OF LA MESA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

SPECIAL REVENUE FUNDS				
	Community Service Grants	Public Safety Grants	CIP Grants	Donations Fund
Assets				
Cash and investments	\$ 11,952	\$ -	\$ -	\$ 7,002
Restricted:				
Cash and investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Loans	-	-	-	-
Grants	4,963	584,052	1,115,364	-
Lease	-	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>\$ 16,915</u>	<u>\$ 584,052</u>	<u>\$ 1,115,364</u>	<u>\$ 7,002</u>
Liabilities				
Accounts payable	\$ -	\$ 301,966	\$ -	\$ -
Salaries payable	-	7,727	-	-
Due to other funds	-	338,684	356,294	-
Total liabilities	<u>-</u>	<u>648,377</u>	<u>356,294</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenue - housing rehab loans	-	-	-	-
Unavailable revenue - grants	-	-	-	-
Leases	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for:				
General government	-	-	-	7,002
Public safety	-	-	-	-
Capital outlays	-	-	759,070	-
Community services	16,915	-	-	-
Community development	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	(64,325)	-	-
Total fund balances (deficit)	<u>16,915</u>	<u>(64,325)</u>	<u>759,070</u>	<u>7,002</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,915</u>	<u>\$ 584,052</u>	<u>\$ 1,115,364</u>	<u>\$ 7,002</u>

(Continued)

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS
CASP Fund	Road Maintenance Fund	PEG Fund	Transportation Fund	Housing Asset Fund	2006 Certificates of Participation
\$ 88,615	\$ 2,982,422	\$ 342,633	\$ 439,012	\$ 3,075,232	\$ -
-	-	-	-	-	149
-	11,721	3,049	21,279	12,718	-
-	-	-	-	225,000	-
-	-	-	-	-	-
-	-	-	-	341,763	-
-	-	-	-	8,350,000	-
<u>\$ 88,615</u>	<u>\$ 2,994,143</u>	<u>\$ 345,682</u>	<u>\$ 460,291</u>	<u>\$ 12,004,713</u>	<u>\$ 149</u>
\$ 685	\$ -	\$ 7,971	\$ -	\$ -	\$ -
-	-	-	-	2,045	-
-	-	-	-	-	4,556
<u>685</u>	<u>-</u>	<u>7,971</u>	<u>-</u>	<u>2,045</u>	<u>4,556</u>
-	-	-	-	590,420	-
-	-	-	21,267	-	-
-	-	-	-	332,391	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>21,267</u>	<u>922,811</u>	<u>-</u>
-	-	337,711	439,024	-	-
-	-	-	-	-	-
-	-	-	-	-	-
87,930	2,994,143	-	-	-	-
-	-	-	-	11,079,857	-
-	-	-	-	-	-
-	-	-	-	-	(4,407)
<u>87,930</u>	<u>2,994,143</u>	<u>337,711</u>	<u>439,024</u>	<u>11,079,857</u>	<u>(4,407)</u>
<u>\$ 88,615</u>	<u>\$ 2,994,143</u>	<u>\$ 345,682</u>	<u>\$ 460,291</u>	<u>\$ 12,004,713</u>	<u>\$ 149</u>

CITY OF LA MESA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS		
	2016 Government Obligation Refunding Bonds	Public Building	Storm Drains	Parks and Recreation
Assets				
Cash and investments	\$ 3,891,644	\$ 845,889	\$ 137,809	\$ -
Restricted:				
Cash and investments	-	-	-	160,102
Receivables:				
Accounts	27,881	-	-	-
Loans	-	-	-	-
Grants	-	-	-	363,518
Lease	-	344,078	-	-
Land held for resale	-	-	-	-
Total assets	\$ 3,919,525	\$ 1,189,967	\$ 137,809	\$ 523,620
Liabilities				
Accounts payable	\$ -	\$ -	\$ 45,020	\$ 854,192
Salaries payable	-	-	-	-
Due to other funds	-	-	-	880,301
Total liabilities	-	-	45,020	1,734,493
Deferred Inflows of Resources				
Unearned revenue - housing rehab loans	-	-	-	-
Unavailable revenue - grants	-	-	-	-
Leases	-	299,302	-	-
Total deferred inflows of resources	-	299,302	-	-
Fund Balances				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Capital outlays	-	890,665	92,789	-
Community services	-	-	-	-
Community development	-	-	-	-
Debt service	3,919,525	-	-	-
Unassigned	-	-	-	(1,210,873)
Total fund balances (deficit)	3,919,525	890,665	92,789	(1,210,873)
Total liabilities, deferred inflows of resources and fund balances	\$ 3,919,525	\$ 1,189,967	\$ 137,809	\$ 523,620

(Concluded)

CAPITAL PROJECTS FUNDS				Total Non-Major Governmental Funds
Civic Center	Misc Capital Improvement	Capital Asset Management Plan		
\$ 92,599	\$ 317,676	\$ 967,918	\$	18,062,358
-	-	-		160,251
-	-	-		256,233
-	-	-		342,017
-	-	-		2,095,613
-	-	-		685,841
-	-	-		8,350,000
<u>\$ 92,599</u>	<u>\$ 317,676</u>	<u>\$ 967,918</u>	<u>\$</u>	<u>29,952,313</u>
\$ -	\$ -	\$ -	\$	1,237,720
-	-	-		20,983
-	-	-		1,588,987
-	-	-		2,847,690
-	-	-		707,437
-	-	-		21,267
-	-	-		631,693
-	-	-		1,360,397
-	-	-		831,295
-	-	-		1,458,365
92,599	317,676	967,918		5,085,635
-	-	-		3,215,717
-	-	-		12,522,446
-	-	-		3,919,525
-	-	-		(1,288,757)
<u>92,599</u>	<u>317,676</u>	<u>967,918</u>		<u>25,744,226</u>
<u>\$ 92,599</u>	<u>\$ 317,676</u>	<u>\$ 967,918</u>	<u>\$</u>	<u>29,952,313</u>

CITY OF LA MESA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	SPECIAL REVENUE FUNDS			
	Housing Rehabilitation/ CDBG Administration	Gas Tax	Transportation Improvement	Street Parking
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	128,676
Use of money and property	886	-	-	386,479
Intergovernmental	196,029	2,316,447	1,812,487	-
Charges for services	-	-	-	-
Other revenues	28,245	-	-	-
Total revenues	225,160	2,316,447	1,812,487	515,155
Expenditures:				
Current:				
General government	-	-	-	14,212
Police	-	-	-	149,989
Fire	-	-	-	980
Community development	114,106	-	-	123,959
Community services	-	-	-	10,185
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	499,988	-
Interest and fiscal charges	-	-	10,409	-
Total expenditures	114,106	-	510,397	299,325
Excess (deficiency) of revenues over (under) expenditures	111,054	2,316,447	1,302,090	215,830
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(1,041,890)	(541,455)	(41,300)
Lease acquisition	-	-	-	-
Total other financing sources (uses)	-	(1,041,890)	(541,455)	(41,300)
Net change in fund balances	111,054	1,274,557	760,635	174,530
Fund balances (deficit), beginning of year	146,995	690,361	(769,787)	454,524
Fund balances (deficit), end of year	\$ 258,049	\$ 1,964,918	\$ (9,152)	\$ 629,054

(Continued)

SPECIAL REVENUE FUNDS					
Environmental Services	Community Service Improvement	Public Safety Augmentation	County Housing	Drug Asset Seizure	Supplemental Law Enforcement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	415,754	-	-	-
-	-	-	-	-	-
-	-	-	-	16,298	-
(25,849)	-	19,205	-	(7,476)	6,884
15,372	-	-	-	-	165,271
330,010	-	-	-	-	-
750	9,465	-	-	-	-
320,283	9,465	434,959	-	8,822	172,155
588,066	-	-	-	-	-
-	-	-	-	10,357	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
588,066	-	-	-	10,357	-
(267,783)	9,465	434,959	-	(1,535)	172,155
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(267,783)	9,465	434,959	-	(1,535)	172,155
315,341	107,264	420,966	555,486	157,531	274,289
\$ 47,558	\$ 116,729	\$ 855,925	\$ 555,486	\$ 155,996	\$ 446,444

CITY OF LA MESA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	SPECIAL REVENUE FUNDS			
	Community Service Grants	Public Safety Grants	CIP Grants	Donations Fund
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	964	-	-
Use of money and property	-	-	-	-
Intergovernmental	50,904	931,672	1,815,563	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	50,904	932,636	1,815,563	-
Expenditures:				
Current:				
General government	-	92,825	-	-
Police	-	922,262	-	-
Fire	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	1,015,087	-	-
Excess (deficiency) of revenues over (under) expenditures	50,904	(82,451)	1,815,563	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(1,118,749)	-
Lease acquisition	-	-	-	-
Total other financing sources (uses)	-	-	(1,118,749)	-
Net change in fund balances	50,904	(82,451)	696,814	-
Fund balances (deficit), beginning of year	(33,989)	18,126	62,256	7,002
Fund balances (deficit), end of year	\$ 16,915	\$ (64,325)	\$ 759,070	\$ 7,002

(Continued)

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS
CASP Fund	Road Maintenance Fund	PEG Fund	Transportation Fund	Housing Asset Fund	2006 Certificates of Participation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	132,239	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	99,239	-	(660)	106,795	293
-	576,940	-	432,993	43,999	-
19,048	-	-	-	-	-
-	-	-	-	85,675	-
19,048	676,179	132,239	432,333	236,469	293
-	-	101,193	-	-	4,701
-	-	-	-	-	-
-	-	-	-	-	-
1,363	-	-	-	192,195	-
-	-	-	-	-	-
-	-	87,152	-	-	-
-	-	26,957	-	-	355,000
-	-	59	-	-	99,071
1,363	-	215,361	-	192,195	458,772
17,685	676,179	(83,122)	432,333	44,274	(458,479)
-	-	-	-	-	454,071
-	-	-	-	-	-
-	-	80,440	-	-	-
-	-	80,440	-	-	454,071
17,685	676,179	(2,682)	432,333	44,274	(4,408)
70,245	2,317,964	340,393	6,691	11,035,583	1
\$ 87,930	\$ 2,994,143	\$ 337,711	\$ 439,024	\$ 11,079,857	\$ (4,407)

CITY OF LA MESA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS		
	2016 Government Obligation Refunding Bonds	Public Building	Storm Drains	Parks and Recreation
Revenues:				
Property taxes	\$ 1,794,982	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Licenses and permits	-	-	-	208,338
Fines and forfeitures	-	-	-	-
Use of money and property	(10,622)	80,354	-	20,276
Intergovernmental	-	-	-	363,518
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	1,784,360	80,354	-	592,132
Expenditures:				
Current:				
General government	8,074	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	15,238	173,627	3,133,082
Debt service:				
Principal retirement	840,000	-	-	-
Interest and fiscal charges	728,950	-	-	-
Total expenditures	1,577,024	15,238	173,627	3,133,082
Excess (deficiency) of revenues over (under) expenditures	207,336	65,116	(173,627)	(2,540,950)
Other financing sources (uses):				
Transfers in	-	-	114,426	143,420
Transfers out	-	(86,199)	-	-
Lease acquisition	-	-	-	-
Total other financing sources (uses)	-	(86,199)	114,426	143,420
Net change in fund balances	207,336	(21,083)	(59,201)	(2,397,530)
Fund balances (deficit), beginning of year	3,712,189	911,748	151,990	1,186,657
Fund balances (deficit), end of year	\$ 3,919,525	\$ 890,665	\$ 92,789	\$ (1,210,873)

(Concluded)

CAPITAL PROJECTS FUNDS				Total Non-Major Governmental Funds
Civic Center	Misc Capital Improvement	Capital Asset Management Plan		
\$ -	\$ -	\$ -	\$	1,794,982
-	-	-		547,993
-	-	-		208,338
-	-	-		145,938
-	-	-		675,804
-	-	-		8,721,195
-	-	-		349,058
-	-	-		124,135
-	-	-		12,567,443
-	-	-		809,071
-	-	-		1,082,608
-	-	-		980
-	-	-		431,623
-	-	-		10,185
-	-	-		3,409,099
-	-	-		1,721,945
-	-	-		838,489
-	-	-		8,304,000
-	-	-		4,263,443
-	-	86,200		798,117
-	-	-		(2,829,593)
-	-	-		80,440
-	-	86,200		(1,951,036)
-	-	86,200		2,312,407
92,599	317,676	881,718		23,431,819
\$ 92,599	\$ 317,676	\$ 967,918	\$	25,744,226

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INTERNAL SERVICE FUNDS

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CITY OF LA MESA
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Employee Benefits	Workers' Compensation	Equipment Replacement	Liability Risk Financing	Total
Assets					
Current assets:					
Cash and investments	\$ -	\$ 5,516,682	\$ 1,147,306	\$ 762,229	\$ 7,426,217
Accounts receivable, net	-	29,741	15,241	463	45,445
Total current assets	-	5,546,423	1,162,547	762,692	7,471,662
Noncurrent assets:					
Restricted cash and investments	12,801	135,796	-	-	148,597
Capital assets:					
Depreciable, net	-	-	7,211,233	-	7,211,233
Total capital assets	-	-	7,211,233	-	7,211,233
Total noncurrent assets	12,801	135,796	7,211,233	-	7,359,830
Total assets	12,801	5,682,219	8,373,780	762,692	14,831,492
Liabilities					
Current liabilities:					
Accounts payable	663,605	1,494,848	23,438	2,923	2,184,814
Salaries payable	-	1,641	-	1,641	3,282
Due to other funds	126,198	-	-	-	126,198
Interest payable	-	-	10,528	-	10,528
Long-term liabilities - due in one year	-	-	184,935	-	184,935
Total current liabilities	789,803	1,496,489	218,901	4,564	2,509,757
Noncurrent liabilities:					
Long-term liabilities - due in more than one year	-	-	645,171	-	645,171
Claims payable	-	3,686,847	-	1,510,473	5,197,320
Total noncurrent liabilities	-	3,686,847	645,171	1,510,473	5,842,491
Total liabilities	789,803	5,183,336	864,072	1,515,037	8,352,248
Net Position					
Net investment in capital assets	-	-	6,381,127	-	6,381,127
Restricted	12,801	135,796	-	-	148,597
Unrestricted	(789,803)	363,087	1,128,581	(752,345)	(50,480)
Total net position (deficit)	\$ (777,002)	\$ 498,883	\$ 7,509,708	\$ (752,345)	\$ 6,479,244

CITY OF LA MESA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	Employee Benefits	Workers' Compensation	Equipment Replacement	Liability Risk Financing	Total
Operating Revenues:					
Charges for services	\$ 4,222,305	\$ 1,151,784	\$ 1,800,220	\$ -	\$ 7,174,309
Other operating revenues	77,990	7,346	-	9,563	94,899
Total operating revenues	<u>4,300,295</u>	<u>1,159,130</u>	<u>1,800,220</u>	<u>9,563</u>	<u>7,269,208</u>
Operating Expenses:					
Salaries and payroll	-	199,930	-	199,994	399,924
Professional services	4,617,527	1,907	1,978,743	272,397	6,870,574
Supplies, materials and miscellaneous	-	578,214	-	-	578,214
Insurance premiums and settlements	-	1,322,423	-	2,212,544	3,534,967
Depreciation	-	-	812,950	-	812,950
Amortization	-	-	51,028	-	51,028
Total operating expenses	<u>4,617,527</u>	<u>2,102,474</u>	<u>2,842,721</u>	<u>2,684,935</u>	<u>12,247,657</u>
Operating income (loss)	<u>(317,232)</u>	<u>(943,344)</u>	<u>(1,042,501)</u>	<u>(2,675,372)</u>	<u>(4,978,449)</u>
Nonoperating Revenues (Expenses):					
Investment income (loss)	-	(228,575)	(42,634)	(106,095)	(377,304)
Interest (expense)	-	-	(32,172)	-	(32,172)
Gain (loss) on disposal of assets	-	-	(142,483)	-	(142,483)
Total nonoperating income (loss)	<u>-</u>	<u>(228,575)</u>	<u>(217,289)</u>	<u>(106,095)</u>	<u>(551,959)</u>
Income (loss) before transfers	<u>(317,232)</u>	<u>(1,171,919)</u>	<u>(1,259,790)</u>	<u>(2,781,467)</u>	<u>(5,530,408)</u>
Transfers:					
Transfers in	-	-	-	2,196,000	2,196,000
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,196,000</u>	<u>2,196,000</u>
Change in net position	<u>(317,232)</u>	<u>(1,171,919)</u>	<u>(1,259,790)</u>	<u>(585,467)</u>	<u>(3,334,408)</u>
Net position (deficit), beginning of year	<u>(459,770)</u>	<u>1,670,802</u>	<u>8,769,498</u>	<u>(166,878)</u>	<u>9,813,652</u>
Net position (deficit), end of year	<u>\$ (777,002)</u>	<u>\$ 498,883</u>	<u>\$ 7,509,708</u>	<u>\$ (752,345)</u>	<u>\$ 6,479,244</u>

CITY OF LA MESA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Employee Benefits	Workers' Compensation	Equipment Replacement	Liability Risk Financing	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/other funds	\$4,222,305	\$ 1,128,858	\$ 1,788,414	\$ -	\$ 7,139,577
Cash payments to suppliers for goods and services	-	914,656	(2,156,859)	(690,329)	(1,932,532)
Cash payments to employees for services	-	(201,060)	-	(201,124)	(402,184)
Insurance premiums and settlements	(4,923,299)	(2,558,846)	-	(1,726,735)	(9,208,880)
Other operating revenues	77,990	7,346	-	151,858	237,194
Net Cash Provided by (Used for) Operating Activities	<u>(623,004)</u>	<u>(709,046)</u>	<u>(368,445)</u>	<u>(2,466,330)</u>	<u>(4,166,825)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	2,196,000	2,196,000
Implicit financing	126,198	-	-	-	126,198
Net Cash Provided By Noncapital Financing Activities	<u>126,198</u>	<u>-</u>	<u>-</u>	<u>2,196,000</u>	<u>2,322,198</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(1,189,793)	-	(1,189,793)
Payment of interest	-	-	(32,172)	-	(32,172)
Payments on long term liabilities	-	-	(284,124)	-	(284,124)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(1,506,089)</u>	<u>-</u>	<u>(1,506,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	-	(228,575)	(42,634)	(106,095)	(377,304)
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>(228,575)</u>	<u>(42,634)</u>	<u>(106,095)</u>	<u>(377,304)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(496,806)	(937,621)	(1,917,168)	(376,425)	(3,728,020)
Cash and Cash Equivalents - beginning of the year	509,607	6,590,099	3,064,474	1,138,654	11,302,834
Cash and Cash Equivalents - end of the year	<u>\$ 12,801</u>	<u>\$ 5,652,478</u>	<u>\$ 1,147,306</u>	<u>\$ 762,229</u>	<u>\$ 7,574,814</u>
RECONCILIATION TO STATEMENT OF NET POSITION					
Current assets:					
Cash and cash equivalents	\$ -	\$ 5,516,682	\$ 1,147,306	\$ 762,229	\$ 7,426,217
Cash and cash equivalents - restricted	12,801	135,796	-	-	148,597
Total cash and cash equivalents	<u>\$ 12,801</u>	<u>\$ 5,652,478</u>	<u>\$ 1,147,306</u>	<u>\$ 762,229</u>	<u>\$ 7,574,814</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (317,232)	\$ (943,344)	\$ (1,042,501)	\$ (2,675,372)	\$ (4,978,449)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	-	812,950	-	812,950
Amortization expense	-	-	51,028	-	51,028
Change in assets and liabilities:					
Accounts receivable	-	(22,926)	(11,806)	142,295	107,563
Accounts payable	(305,772)	1,494,777	(178,116)	(417,932)	592,957
Claims payable	-	(1,236,423)	-	485,809	(750,614)
Salaries and benefits payable	-	(1,130)	-	(1,130)	(2,260)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (623,004)</u>	<u>\$ (709,046)</u>	<u>\$ (368,445)</u>	<u>\$ (2,466,330)</u>	<u>\$ (4,166,825)</u>
Noncash Financing Activities					
Gain (loss) on disposition of assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (142,483)</u>	<u>\$ -</u>	<u>\$ (142,483)</u>

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