

City of Calimesa

**Annual Audit Report and Financial Statements
For the fiscal year ended June 30, 2012**

REVISED 9-20-2013

City of Calimesa

**Annual Audit Report and Financial Statements
For the fiscal year ended June 30, 2012**

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City of Calimesa

Elected and Appointed Officials
June 30, 2012

Elected Officials:

Mayor	Bill Davis
Mayor Pro Tem	Jeffrey Hewitt
Council Member	Ella Zanowic
Council Member	Joyce McIntire
Council Member	Jim Hyatt

Appointed Officials:

City Manager	Randy Anstine
City Attorney	Kevin Ennis
City Clerk	Darlene Gerdes
Finance Director	Shirley Johnston
Public Works Director	Bob French

A. Edwin Holliman
Certified Public Accountant

The Honorable City Council
City of Calimesa, California

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Calimesa (the City), California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Calimesa, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 15, 2013, in my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The City has not presented the management's discussion and analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not a required part of, the basic financial statements. The other required supplementary information identified in the accompanying table of contents is not a required part of the basic financial statements,

but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements; accordingly I express no opinion on it.

A. Edwin Holliman

September 20, 2013

3130 E. 2nd Street, # 3, Long Beach, CA 90803

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Calimesa

Statement of Net Assets
June 30, 2012

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$ 4,103,544
Cash and investments with fiscal agent	-
Cash and investments with fiscal agent - restricted	-
Receivables:	
Taxes	201,338
Accounts	93,402
Interest	9,134
Due from other governments	127,431
Due from Fiduciary Funds (Note 4)	42,892
Capital assets not being depreciated (Note 5)	1,918,401
Capital assets being depreciated, net (Note 5)	10,692,999
Total assets	<u>17,189,141</u>
LIABILITIES	
Accounts payable and accrued liabilities	576,773
Deposits	503,265
Unearned revenues	114,439
Noncurrent liabilities:	
Due within one year	12,611
Due in more than one year	136,319
Total liabilities	<u>1,343,407</u>
NET ASSETS	
Invested in capital assets (Note 5)	12,611,400
Restricted (Note 12):	
Legally restricted - voter approved	1,846
Regulatory/grant restrictions	693,474
Legally restricted - development impact fees	1,471,215
Assigned (Note 12)	46,021
Unassigned (Note 12)	1,096,243
Total net assets	<u>\$ 15,920,199</u>

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

City of Calimesa

**Statement of Activities
For the year ended June 30, 2012**

	Plus Recovered Expenses				Net governmental activities
	Less Expenses	Charges for services	Operating grants & contributions	Capital grants & contributions	
Governmental activities:					
General government	\$ (955,105)	147,088	46,590	-	\$ (761,427)
Public safety	(2,281,048)	-	181,740	-	(2,099,308)
Public works	(715,871)	62,729		261,407	(391,735)
Community svc & development	(1,409,438)	241,653	106,993	-	(1,060,792)
Parks and recreation	(286,103)	-	-	206,198	(79,905)
Interest on long-term debt	(102,901)				(102,901)
Total governmental activities	(5,750,466)	451,470	335,323	467,605	(4,496,068)
General revenues:					
Taxes					
Property					2,066,973
Sales tax					522,995
Other					863,559
Unrestricted investment earnings					8,274
Other					130,345
Total general revenues					3,592,146
Change in net assets					(903,922)
Extraordinary gain on dissolution of Redevelopment Agency					2,388,821
Change in net assets					1,484,899
Net assets, beginning of year					14,435,300
Net assets, end of year					\$ 15,920,199

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

City of Calimesa

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

	Private Purpose Trust Fund Successor Agency		
	Agency Housing	Non-Housing Areas 1 & 5	Total
ASSETS			
Cash and investments (Note 3)	\$ 24,005	\$ -	\$ 24,005
Cash and investments with fiscal agent (Note 3)		488	488
Cash and investments with fiscal agent - restricted (Note 3)		225,542	225,542
Receivables:			-
Taxes		17,421	17,421
Total assets	24,005	243,451	267,456
LIABILITIES			
Accounts payable and accrued liabilities		48,265	48,265
Due to other funds (Note 4)		42,892	42,892
Long-term liabilities:			
Due within one year (Notes 6 & 11)		60,000	60,000
Due in more than one year (Notes 6 & 11)		2,656,783	2,656,783
Total liabilities	-	2,807,940	2,807,940
NET ASSETS			
Invested in capital assets			-
Restricted:			-
Public safety			-
Public works			-
Community development	24,005	(2,564,489)	(2,540,484)
Parks and recreation			-
Unrestricted			
Total net assets	\$ 24,005	\$ (2,564,489)	\$ (2,540,484)

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

City of Calimesa

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2012**

	Private Purpose Trust Fund		
	Successor Agency		
	Housing	Non-Housing Areas 1 & 2	Total
Additions:			
Taxes	-	-	-
Intergovernmental revenue		236,123	236,123
Investment income		105	105
Total additions	-	236,228	236,228
Deductions:			
Administration		301,092	301,092
Interest		86,799	86,799
Total deductions	-	387,891	387,891
Net Gain (Loss) from Operating Activities	-	(151,663)	(151,663)
Extraordinary Gain (Loss) on Dissolution of Redevelopment Agency (Note 11)	24,005	(2,412,826)	(2,388,821)
Changes in Net Assets	24,005	(2,564,489)	(2,540,484)
Net Assets at Beginning of Year	-	-	-
Net Assets at End of Year	24,005	(2,564,489)	(2,540,484)

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

FUND FINANCIAL STATEMENTS

City of Calimesa

Balance Sheet
 Governmental Funds
 June 30, 2012

	General	Special Revenue	Capital
		Measure A	Projects Redevelopment Agency
ASSETS			
Cash and investments	\$ 1,531,273	\$ 292,331	\$ -
Cash and investments with fiscal agent			-
Cash and investments with fiscal agent - restricted			-
Receivables:			
Taxes	201,338		-
Intergovernmental	70,283	12,897	-
Interest	3,302	210	-
Accounts	22,151		-
Due from other funds	70,298		-
Total assets	1,898,645	305,438	-
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	454,836	38,602	-
Deferred revenues	91,159		-
Due to other funds			-
Deposits	181,942	-	-
Total liabilities	727,937	38,602	-
Fund balances:			
Restricted (Note 12):			
Legally restricted - voter approved			
Regulatory/grant restrictions		266,836	
Legally restricted - development impact fees			
Assigned (Note 12)			
Unassigned (Note 12)	1,170,708		
Total fund balances	1,170,708	266,836	-
Total liabilities and fund balances	\$ 1,898,645	\$ 305,438	\$ -

Total Nonmajor Governmental Funds		Total Governmental Funds	
\$	2,279,940	\$	4,103,544
			-
			-
	-		201,338
	44,251		127,431
	5,622		9,134
	71,251		93,402
	-		70,298
<hr/>		<hr/>	
	2,401,064		4,605,147
<hr/>		<hr/>	
	83,335		576,773
	23,280		114,439
	27,406		27,406
	321,323		503,265
<hr/>		<hr/>	
	455,344		1,221,883
<hr/>		<hr/>	
	1,846		1,846
	426,532		693,368
	1,471,215		1,471,215
	46,021		46,021
	106		1,170,814
<hr/>		<hr/>	
	1,945,720		3,383,264
<hr/>		<hr/>	
\$	2,401,064	\$	4,605,147
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The accompanying notes are an integral part of these financial statements.

City of Calimesa

Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2012

Fund balances of governmental funds	\$ 3,383,264
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	12,611,400
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	<u>(74,465)</u>
Net assets of governmental activities	<u><u>\$ 15,920,199</u></u>

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

City of Calimesa

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012**

	General	Special Revenue Measure A	Capital Projects Redevelopment Agency
REVENUES			
Taxes	\$ 3,073,316		\$ 331,141
Licenses and permits	184,387		
Fines and forfeitures	80,158		
Intergovernmental	46,590	111,692	
Charges for services	287,730		
Investment earnings	7,051	856	1,210
Other	-		
Total revenues	3,679,232	112,548	332,351
EXPENDITURES			
Current:			
General government	922,513		
Public safety	2,172,188		
Public works	233,264	122,054	
Community services and development	492,472		434,976
Parks and recreation	112,442		
Supplemental ERAF payment			-
Debt service:			
Principal			
Interest and fiscal charges			
Total expenditures	3,932,879	122,054	434,976
Deficiency of revenues under expenditures	(253,647)	(9,506)	(102,625)
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 4)	8,622		271,331
Transfer out (Note 4)	(82,146)		(142,933)
Total other financing sources (uses)	(73,524)	-	128,398
Extraordinary gain (loss) on dissolution of Redevelopment Agency			(303,957)
Net change in fund balances	(327,171)	(9,506)	(278,184)
Fund balances, beginning of year	1,497,879	276,342	278,184
Fund balances, end of year	\$ 1,170,708	\$ 266,836	\$ -

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

Total Nonmajor Governmental Funds		Total Governmental Funds	
\$	160,159	\$	3,564,616
			184,387
			80,158
	546,162		704,444
	163,740		451,470
	7,015		16,132
	100,180		100,180
	977,256		5,101,387
	-		922,513
	99,570		2,271,758
	253,351		608,669
	459,291		1,386,739
	172,733		285,175
			-
			-
	55,000		55,000
	87,933		87,933
	1,127,878		5,617,787
	(150,622)		(516,400)
	252,906		532,859
	(307,780)		(532,859)
	(54,874)		-
	(24,005)		(327,962)
	(229,501)		(844,362)
	2,175,221		4,227,626
\$	1,945,720	\$	3,383,264

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

City of Calimesa

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2012

Net changes in fund balances of governmental funds	\$	(844,362)
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Amounts reported for governmental activities in the statement of activities are different because:

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 governmental funds. Neither transaction, however, has an effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond principal retirement	\$	55,000	
Amortization of deferred charges		(5,811)	
Amortization of bond discount		<u>(9,157)</u>	40,032
Decrease in accrued interest payable			15,815

Decrease in net assets, not previously available to pay current period expenditures, which were offset by deferred revenue		(569,913)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized, less disposals at net book value		(2,222,292)
Depreciation expense		(146,462)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		2,521,548
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Extraordinary gain as a result of dissolution of the Redevelopment Agency - amounts/items previously accounted for in the statement of net assets but not in the fund statements		2,716,783
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Compensated absences expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the fund financial statements.

Increase in compensated absences payable		<u>(26,250)</u>
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Change in net assets of governmental activities	\$	<u>1,484,899</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and summary of significant accounting policies

A. Description of the reporting entity

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

Blended component unit

The Calimesa Redevelopment Agency (the Agency) was established in December 1993, pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City. On June 13, 2000, pursuant to the State of California Community Redevelopment Law, Section 33216, the County of Riverside transferred the Calimesa portion of Project Area No. 5 - 1986 back to the City. The Project Area No. 5 - 1986 was adopted by the Board of Supervisors of the Redevelopment Agency of the County of Riverside on December 23, 1986, which consisted of five non-contiguous areas of the Project Area, the "Calimesa Subarea," and was subsequently included within the boundaries of the City when the City incorporated in 1990.

Financial statements are available for the above component unit from the City's Finance Department, although the Redevelopment Agency (and all other redevelopment agencies in State of California) were dissolved on January 31, 2012 pursuant to a California Supreme Court decision upholding Assembly Bill 1X 26 (see Note 11 for further comments).

B. Government-wide and fund financial statements

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

Note 1: Organization and summary of significant accounting policies (continued)

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

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

The City reports the following major governmental funds:

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

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

The *Redevelopment Capital Projects Fund* is used to account for revenue in the form of property tax increment to be used for redevelopment projects.

Additionally, the City reports the following fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to fund expenditures for specified purposes.

The Capital Projects Fund are used to account for the acquisition and construction of major capital facilities.

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Note 1: Organization and summary of significant accounting policies (continued)

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

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

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, except for grant revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered available if they are collected within 6 months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

D. Assets, liabilities and net assets or equity

1. Investments

The City reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Note 1: Organization and summary of significant accounting policies (continued)

2. Receivables and payables

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 non-current portion of interfund loans).

3. Use of estimates

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

4. Unearned revenues

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

5. Claims and judgments

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

6. Capital assets

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

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

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Note 1: Organization and summary of significant accounting policies (continued)

Assets	Years
Buildings	50
Buildings improvements	5-25
Infrastructure	30-50
Vehicles	3-15
Office equipment	3-7
Computer equipment	3-10

7. Employee leave benefits

Compensated absences are the amounts due to employees for future absences which are attributed to services already rendered. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Sick leave is payable when an employee is unable to work because of illness. The vested portion of these compensated absences is accrued in the long-term debt at year end.

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

Compensatory time

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

Sick leave

Employees shall accrue sick leave in accordance with schedules set forth in all memorandum of understanding. All employees with at least six months service will be allowed to accrue up to nine hundred and sixty hours of sick leave. Employees are not paid upon termination for accrued sick leave, therefore no liability is accrued in these financial statements for sick leave.

Vacation leave

Employees shall accrue vacation leave in accordance with schedules set forth in a memorandum of understanding. Employees will be paid upon termination all accrued vacation leave up to a maximum of two hundred and forty hours.

8. Property taxes

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

Note 1: Organization and summary of significant accounting policies (continued)

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

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

9. Fund Equity

Reserved Fund Balance indicates that portion of fund equity which has been legally segregated for specific purposes.

Designated Fund Balance indicates that portion of fund equity for which the City Council has made tentative plans for financial resources utilization in a future period; and

Undesignated Fund Balance indicates that portion of fund equity which is available for budgeting in future periods.

10. Long-term obligations

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 2: Budgetary accounting

1. Budgetary data

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

All appropriations lapse at the end of the fiscal year to the extent that they have not been expected. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

Budgetary comparison schedules are provided in the accompanying financial statements for all funds, except for the Senior Nutrition, Traffic Safety, California Recycling Grant, and Homeland Security Grant funds which do not have legally adopted budgets. Budget amounts are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

2. Excess of expenditures over appropriations

The following funds reported an excess of expenditures over appropriations at June 30, 2012.

	Final	Actual	Variance
<i>General Fund</i>	\$ 3,824,527	\$ 3,927,879	\$ (103,352)
<i>Special revenue funds:</i>			
Mitigation fees	140,525	194,819	(54,294)
Transportation Air Quality Improvement	1,150	1,248	(98)
Parks & Recreation	-	172,733	(172,733)
Supplemental Law Enforcement	97,000	99,570	(2,570)
<i>Debt service fund:</i>			
Redevelopment Agency	\$ -	\$ 142,933	\$ (142,933)

Note 2: Budgetary accounting (continued)

3. Deficit fund balance

The following funds currently have deficit fund balances:

	Deficit
<i>Special revenue funds:</i>	
Special Deposits	5,145

This deficit will be eliminated through future revenues or transfers from other funds.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and investments

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows.

Statement of net assets:		
Cash and investments		\$ 4,103,544
Cash and investments with fiscal agent		-
Cash and investments with fiscal agent-restricted		-
Fiduciary funds:		
Cash and investments		-
Total cash and investments		\$ 4,103,544
Pooled deposits:		
Demand deposits		\$ -
Petty cash		900
Investments		4,102,644
Total cash and investments		\$ 4,103,544

Notes to Financial Statements
For the year ended June 30, 2012

Note 3: Cash and investments (continued)

Authorized investments

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

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

The City's investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The City's investment policy does not contain any specific provisions intended to limit its exposure to a concentration of credit risk.

Investments authorized by debt agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the *investment types* that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address *interest risk* and *concentration of credit risk*.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase/Investment Agreement	None	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund	N/A	None	None
FHA Obligations Guaranteed by U.S. Government	None	None	None
Federal Funds	180 days	None	None
Negotiable Certificate of Deposit	180 days	None	None
Time Deposits	180 days	None	None
FDIC Insured Deposits	None	None	None
Debt Obligations	None	None	None

Notes to Financial Statements
For the year ended June 30, 2012

Note 3: Cash and investments (continued)

Interest rate risk

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

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

Investment type	Totals	Remaining maturity 12 months or less
Local Agency Investment Fund Held by bond trustee:	* \$ 4,127,549	\$ 4,127,549
Dreyfus cash management	* 226,030	226,030
Total investments	\$ 4,353,579	\$ 4,353,579

* Included within the \$ 4,127, 549 is \$ 24,005 in Fiduciary Funds, Successor Agency Housing Funds, and the entire \$226,030 held by the bond trustee represent Fiduciary Funds, Successor Agency non-housing funds.

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the City's deposits held by financial institutions in excess of federal insurance limits were held in collateralized accounts.

Note 3: Cash and investments (continued)

Credit risk/pooled cash

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

Disclosures relating to credit risk

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

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

Investment type	Amount	Minimum legal rating	Ratings at fiscal year end	
			Aaa/AAA	Not rated
Local Agency Investment Fund Held by bond trustee:	\$ 4,127,549	N/A		\$ 4,127,549
Dreyfus cash management	226,030	N/A	226,030	
Total investments	\$ 4,353,579		\$ 226,030	\$ 4,127,549

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City's most significant investment, LAIF, does not have a rating provided by a nationally recognized statistical rating agency. Both LAIF and the cash management funds are more than 5% of the City's total investment portfolio.

Fair value of investments

GASBS No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement.

Note 3: Cash and investments (continued)

Investment in State investment pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4: Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds:

<u>Receivable fund</u>		<u>Payable fund</u>		<u>Amount</u>
General Fund	\$ 70,298	Nonmajor funds	(a) \$	27,406
		Fiduciary Fund - Successor Agency	(b)	<u>42,892</u>
Total	<u>\$ 70,298</u>			<u>\$ 70,298</u>

(a) These amounts are to cover deficit cash balances in the owing funds and are expected to be repaid in full by June 30, 2013.

Notes to Financial Statements (Note 4 continued)
 For the year ended June 30, 2012

Note 4: Interfund receivables, payables and transfers (continued)

Transfer in/out

Fund receiving transfer		Fund making transfer		Amount
Non-Major	\$ 19,460	General Fund	a	\$19,460.00
Non-Major	57,686	General Fund	b	\$57,686.00
Non-Major	5,000	General Fund	c	\$5,000.00
General Fund	8,622	Non-Major	d	\$8,622.00
Non-Major	27,827	RDA Capital Projects	e	\$27,827.00
Non-Major	142,933	RDA Capital Projects	f	\$142,933.00
RDA Capital Projects	271,331	RDA Housing	g	\$271,331.00
Total	<u>\$ 532,859</u>			<u>\$ 532,859</u>

- a. This represents a transfer from the General Fund to cover an operating shortfall in the Landscape, Lighting, and Maintenance District.
- b. This represents a transfer from the General Fund to cover a historical ongoing cash deficiency in the Senior Nutrition Fund
- c. This transfer represents a contribution from the General Fund to the Capital Projects Fund - General Fund
- d. This represents a transfer from the Law Enforcement Special Revenue fund to cover eligible expenses in the General Fund.
- e. This transfer is for capital project expenses in the Proposition 1B fund from the Mitigation Fees Fund for eligible capital project costs.
- f. This represents the transfer from the RDA Capital Projects Fund to the RDA Debt Service funds to cover debt service expenses in the RDA.
- g. This represents a transfer between the RDA Housing Fund and the RDA capital project funds to clear the payable associated with prior ERAF payments, made by the Housing Fund on behalf of the capital project funds, which cannot be repaid due to no remaining cash balances in the capital project funds as a result of the dissolution of the Redevelopment Agency.

Note 5: Capital assets

A summary of changes in capital assets at June 30, 2012 is as follows:

	Beginning balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,619,145	\$ 299,256		\$ 1,918,401
Construction in progress	2,521,548	-	2,521,548	-
Total capital assets not being depreciated	<u>4,140,693</u>	<u>299,256</u>	<u>2,521,548</u>	<u>1,918,401</u>
Capital assets being depreciated:				
Buildings and improvements	1,177,116			1,177,116
Machinery and equipment	483,642	-		483,642
Road network	8,125,072	2,521,548		10,646,620
Total capital assets being depreciated	<u>9,785,830</u>	<u>2,521,548</u>	<u>-</u>	<u>12,307,378</u>
Less accumulated depreciation for:				
Buildings and improvements	(555,272)	(32,392)		(587,664)
Machinery and equipment	(366,426)	(33,028)		(399,454)
Road network	(546,219)	(81,042)		(627,261)
Total accumulated depreciation	<u>(1,467,917)</u>	<u>(146,462)</u>	<u>-</u>	<u>(1,614,379)</u>
Total capital assets, being depreciated, net	<u>8,317,913</u>	<u>2,375,086</u>	<u>-</u>	<u>10,692,999</u>
Governmental activities capital assets, net	<u>\$ 12,458,606</u>	<u>\$ 2,674,342</u>	<u>\$ 2,521,548</u>	<u>\$ 12,611,400</u>

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

General government	\$ 6,342
Public safety	9,290
Public works	107,202
Community services and development	22,699
Parks and recreation	929
Total depreciation expense - governmental activities	<u>146,462</u>

Note 6: Long-term liabilities

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2012.

Description	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds					
2008 Series bonds	\$ 2,960,000		\$ 2,960,000	\$ -	\$ -
Subtotal bonds payable	2,960,000	-	2,960,000	-	-
Less deferred amounts: For issuance discount	(44,957)		44,957	-	-
Total bonds	2,915,043	-	2,915,043	-	-
Compensated absences	48,215	26,250	-	74,465	12,411
Total long-term liabilities	\$ 2,963,258	\$ 26,250	\$ 2,915,043	\$ 74,465	\$ 12,411

2008 Tax Allocation Revenue Bonds

In June 2008, the Calimesa Redevelopment Agency (City) issued Calimesa Redevelopment Project No. 1 and Project No. 5 Tax Allocation Revenue Bonds, Series 2008, in the aggregate principal of \$4,260,000.00

The bonds are dated March 2008 and are in denominations of \$5,000 and bear interest at rates ranging from 3.10% to 5.75%. Principal is payable annually on December 1 beginning on December 2010. Interest is payable semi-annually on June 1 and December 1 commencing on December 1, 2008. The bonds mature between the time frames of December 1, 2010 and December, 2038 in amounts ranging from \$50,000 to \$280,000.

As a result of the dissolution of the Redevelopment Agency (see Notes 1 and 11), the remaining bond principle transferred to the Fiduciary Fund Successor Agency in the Statement of Net Assets is \$2,869,200 which consists of \$2,905,000 in bond principle payable less \$35,800 in unamortized bond discount. The difference between the \$ 2,869,200 and \$ 2,716,783 (bonds payable of \$2,656,783 long-term plus \$60,000 short-term) on the Fiduciary Funds Statement of Net Assets represents \$152,417 in unamortized deferred charges previously accounted for in the Governmental Funds Statement of Net Assets as a reconciling item as it was/is not included in the Fund Statements. The bonds were issued to assist the Agency in the financing of redevelopment activities, to fund the Reserve Subaccounts and to pay certain costs relation to the issuance of the bonds. Per the bond indenture, a reserve is required to be maintained and at June 30, 2012, the amount held in the reserve account was \$225,542 which was fully funded.

Note 6: Long-term liabilities (continued)

Pledged revenues

The former RDA pledged 100% of future tax increment revenue (less amounts payable by or required to be set-aside by the Agency under any pass-through agreements and by the amount required to be set-aside for low and moderate housing as required by the California Health and Safety Code) as security for the bonds. While the pledge was originally considered outstanding for the duration of the debt service requirements, the dissolution of redevelopment agencies pursuant to AB 1X 26 has led to the practice of the State of California granting annual payments to successor agencies to make the required bond debt service requirements as well as payments for other obligations listed on each agency's schedule of enforceable obligations. Please refer to Note 12 for further details.

Compensated absences

For the governmental funds, accumulated vacation, and compensatory time payable, excluding the current portion of \$ 12,611 at June 30, 2012, was \$ 61,854. These amounts are payable from future resources and therefore have been recorded as long-term liabilities. These liabilities are generally liquidated by the General Fund.

IV. OTHER INFORMATION

Note 7: City employees' retirement plan (defined benefit pension plan)

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from their executive office: 400 Q Street, Sacramento, CA 95811.

Funding Policy: Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The City pays the full 7% of the employee's portion of the required PERS contribution. The employer contribution rate for the fiscal year ended June 30, 2012 was 10.95 % for miscellaneous employees. Benefit provisions and all other requirements are established by State statute and City council actions.

Annual Pension Cost: For the fiscal year ended June 30, 2012, the City's annual pension cost (employer contribution) of \$96,284 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contribution for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate indicated for the period is 10.95% of covered payroll.

Note 7: City employees' retirement plan (defined benefit pension plan) (continued)

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code allowed PERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the City was required to participate in a risk pool of other agencies with less than 100 employees. The valuation report as of June 30, 2007, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2007.

At the time of joining a risk pool (valuation of June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and funded status of the City's plan as of the June 30, 2007, valuation was \$(117,722).

The side fund will be created, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. The negative side fund will cause the City's required employer contribution rate to be increased by the Amortization of the Side Fund. In the absence contract amendments or funding changes, the side fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2007, was 8 years.

Three year trend information

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed
June 30, 2010	\$ 57,226	100%
June 30, 2011	\$ 106,293	100%
June 30, 2012	\$ 96,284	100%

Note 8: Risk management

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

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

Note 8: Risk management (continued)

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

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

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

Employee dishonesty, theft, fraud - The City maintains employee dishonesty, theft, and fraud insurance through PARSAC up to \$2,500. Amounts in excess of \$2,500 up to \$1,000,00 are covered by policies purchased from third parties by PARSAC.

Note 9: Net assets restricted by enabling legislation

Net assets restricted by enabling legislation in the governmental activities statement of net assets total \$ 2,212,556

Note 10: Contingencies

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

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

Note 11: Dissolution of Redevelopment Agencies in California and Resultant Successor Agency to the Former Redevelopment Agency

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

Note 11: Dissolution of Redevelopment Agencies in California and Resultant Successor Agency to the Former Redevelopment Agency (continued)

AB 1X 26 prescribes that either the city or another local government entity must serve as the successor agency to the former redevelopment agency. The role of the successor agency is to hold net assets of the former redevelopment agency until they can be transferred to the state or respective county. On February 6, 2012 the City Council adopted Resolution No. 2012-01 which provided for the low-to-moderate income housing functions (LMI) and related net assets of the former Redevelopment Agency to be assumed by the City Council. Resolution No. 2012-01 of the Calimesa Successor Agency (CSA) was approved which provided for the City to act as the successor agency to the former Redevelopment Agency. For clarity and ease of financial statement presentation purposes, both the LMI and non-housing financial activities and net assets subsequent to January 31, 2012 are reported as fiduciary funds in these government-wide financial statements and combining fund statements.

The former Redevelopment Agency capital project, debt service, and LMI financial activities and net assets are reported for the period July 1, 2011 through January 31, 2012 within the governmental combining funds. Please note that net assets of these funds are reported as zero at June 30, 2012 since said net assets were transferred to the CSA.

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

The transfer of the assets and liabilities of the former redevelopment agencies as of January 31, 2012 from the governmental funds to the fiduciary funds is to be accounted for as an extraordinary gain or loss in the governmental fund financial statements (in effect, the assets less liabilities or net assets). The receipt of these assets and liabilities as of January 31, 2012 by the successor agencies is likewise to be reported as an extraordinary gain or loss in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the governmental fund financial statements and the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in the governmental funds, fund financial statements, increase in net assets of the Successor Agency	\$ 327,962
Long-term debt reported in the government-wide financial statements- decrease in net assets of the Successor Agency (also see Note 6)	\$ <u>(2,716,783)</u>
Net decrease in net assets of the Successor Agency	\$ <u><u>(2,388,821)</u></u>

Note 12: Implementation of Governmental Accounting Standards Board (GASB) Statement 54:

On September 16, 2013 the City Council of the City of Calimesa retroactively approved implementation of GASB 54 to reflect revised fund balance categories in the Statement of Net Assets, pursuant to criteria in GASB 54, effective for fiscal years ending June 30, 2011 and June 30, 2012. The auditor's opinion on the 2011-12 financial statements, originally dated January 15, 2013, has been redated to September 20, 2013 and the statement of Net Assets has been accordingly revised. The total amount of fund balances did not change as a result of the GASB 54 implementation and no material differences exist between the prior unreserved and reserved categories versus the new restricted, assigned, and unassigned categories which are applicable to the City of Calimesa.

REQUIRED SUPPLEMENTARY INFORMATION

City of Calimesa

Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the year ended June 30, 2012

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Taxes	\$ 3,177,000	\$ 3,156,306	\$ 3,073,316	\$ (82,990)
Licenses and permits	74,665	88,665	184,387	95,722
Fines and forfeitures	95,100	95,100	80,158	(14,942)
Intergovernmental	140,962	140,962	46,590	(94,372)
Charges for services	382,165	365,219	287,730	(77,489)
Investment earnings	10,000	10,000	7,051	(2,949)
Total revenues	<u>3,879,892</u>	<u>3,856,252</u>	<u>3,679,232</u>	<u>(177,020)</u>
EXPENDITURES				
Current:				
General government	884,838	881,838	917,513	(35,675)
Public safety	2,509,818	2,434,818	2,172,188	262,630
Public works	106,136	106,136	233,264	(127,128)
Community services and development	273,260	278,260	492,472	(214,212)
Parks & Recreation	123,475	123,475	112,442	11,033
Total expenditures	<u>3,897,527</u>	<u>3,824,527</u>	<u>3,927,879</u>	<u>(103,352)</u>
Deficiency of revenues under expenditures	(17,635)	31,725	(248,647)	(280,372)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	8,622	8,622
Transfers out	5,000	5,000	(87,146)	(87,146)
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>(78,524)</u>	<u>(78,524)</u>
Net change in fund balances	(12,635)	36,725	(327,171)	(358,896)
Fund balance, beginning of year	<u>1,497,879</u>	<u>1,497,879</u>	<u>1,497,879</u>	-
Fund balance, end of year (unassigned)	<u>\$ 1,480,244</u>	<u>\$ 1,529,604</u>	<u>\$ 1,170,708</u>	<u>\$ (358,896)</u>

City of Calimesa

Required Supplementary Information
 Measure A Special Revenue Fund
 Budgetary Comparison Schedule
 For the year ended June 30, 2012

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
REVENUES				
Intergovernmental	100,000	100,000	\$ 111,692	\$ 11,692
Investment earnings	3,000	3,000	856	(2,144)
Other	-	-	-	-
Total revenues	103,000	103,000	112,548	9,548
EXPENDITURES				
Current:				
Public works	135,000	135,000	122,054	12,946
Total expenditures	135,000	135,000	122,054	12,946
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Net change in fund balance	(32,000)	(32,000)	(9,506)	22,494
Fund balance, beginning of year	276,342	276,342	276,342	-
Fund balance, end of year (restricted - grant/regulatory restriction)	\$ 244,342	\$ 244,342	\$ 266,836	\$ 22,494

Budgetary Information

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

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

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

SUPPLEMENTARY INFORMATION

City of Calimesa

Redevelopment Agency Capital Projects Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Major Fund
 Budget and Actual
 For the year ended June 30, 2012

	Budgeted amounts		Variance with final budget
	Original	Final	
REVENUES			
Taxes	\$ 725,460	\$ 331,141	\$ (394,319)
Investment earnings	21,368	1,210	(20,158)
Total revenues	746,828	332,351	(414,477)
EXPENDITURES			
Community services and development	888,695	434,976	453,719
Total expenditures	888,695	434,976	453,719
Deficiency of revenues under expenditures	(141,867)	(102,625)	39,242
OTHER FINANCING USES			
Transfers in	-	271,331	271,331
Transfers out	-	(142,933)	(142,933)
Total other financing uses	-	128,398	128,398
Extraordinary loss on dissolution of Redevelopment Agency		(303,957)	(303,957)
Net changes in fund balance	(141,867)	(278,184)	(136,317)
Fund balance, beginning of year	278,184	278,184	-
Fund balance, end of year	136,317	-	(136,317)

City of Calimesa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue Funds		
	Supplemental Law Enforcement Grant	Community Development Block Grant	Parks and Recreation Grant
ASSETS			
Cash and investments	\$ -	\$ 66,312	\$ 63,863
Receivables:			
Taxes			
Intergovernmental		44,251	
Interest	3	45	-
Accounts	25,000		
Due from other funds			
Total assets	25,003	110,608	63,863
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	7,789	39,917	8,910
Deferred revenues			16,480
Due to other funds	4,443		
Total liabilities	12,232	39,917	25,390
Fund balances:			
Restricted:			
Legally restricted - voter approved Regulatory/grant restrictions	12,771	70,691	38,473
Legally restricted-development impact fees			
Assigned			
Unassigned			
Total fund balances	12,771	70,691	38,473
Total liabilities and fund balances	\$ 25,003	\$ 110,608	\$ 63,863

Special Revenue Funds					
Library	Traffic Safety	Transportation Air Quality Improvements	Gas Tax	Lighting/ Landscape District	
\$ 167,792	\$ 3,054	\$ 15,195	\$ 92,722	\$ -	
119	2	11	91	-	
27,972		2,459	11,780	3,005	
195,883	3,056	17,665	104,593	3,005	
2,277			7,523	2,994	
6,800					
9,077	-	-	7,523	2,994	
186,806	3,056	17,665	97,070	11	
186,806	3,056	17,665	97,070	11	
\$ 195,883	\$ 3,056	\$ 17,665	\$ 104,593	\$ 3,005	

City of Calimesa

Combining Balance Sheet
 Nonmajor Governmental Funs (continued)
 June 30, 2012

	Special Revenue Funds			
	Former RDA Housing	Insurance	CFD # 1	Senior Center Computer
ASSETS				
Cash and investments	\$ -	\$ 30,000	\$ 11,827	\$ 106
Receivables:				
Taxes	-			
Intergovernmental				
Interest	-		8	
Accounts				
Due from other funds	-			
	-			
Total assets	-	30,000	11,835	106
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued	-	-	10,000	
Deposits				
Deferred revenues				
Due to other funds		-		
	-	-	10,000	-
Total liabilities	-	-	10,000	-
Fund balances:				
Restricted:				
Legally restricted-voter appr.	-		1,835	
Regulatory/grant restrictions				
Legally restricted-dev. Impact				
Assigned		30,000		
Unassigned				106
Total fund balances (deficit)	-	30,000	1,835	106
Total liabilities and fund balances	\$ -	\$ 30,000	\$ 11,835	\$ 106

City of Calimesa

Combining Balance Sheet
 Nonmajor Governmental Funs (continued)
 June 30, 2012

Special Revenue Funds			Capital Projects	Debt Service Fund	Total Nonmajor Governmental Funds
Special Deposits	Mitigation Fees	Total Special Revenue Funds	General Fund	Redevelopment Agency	
\$ 315,946	\$ 1,497,113	\$ 2,263,930	\$ 16,010		\$ 2,279,940
		-			-
		44,251			44,251
232	5,100	5,611	11		5,622
	1,035	71,251			71,251
		-			-
316,178	1,503,248	2,385,043	16,021	-	2,401,064
-	3,925	83,335			83,335
321,323		23,280			321,323
	22,963	27,406			23,280
321,323	26,888	134,021	-	-	27,406
		1,846			1,846
		426,532			426,532
(5,145)	1,476,360	1,471,215			1,471,215
		30,000	16,021		46,021
		106			106
(5,145)	1,476,360	1,929,699	16,021	-	1,945,720
\$ 316,178	\$ 1,503,248	\$ 2,063,720	\$ 16,021	\$ -	\$ 2,401,064

City of Calimesa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the year ended June 30, 2012

	Special Revenue Funds			
	RDA Housing	Supplemental Law Enforcement Grant	Community Development Block Grant	Parks and Recreation Grant
REVENUES				
Taxes	78,431			
Intergovernmental			68,325	205,951
Charges for services				
Investment earnings	13	10	174	247
Other		100,000	-	-
Total revenues	78,444	100,010	68,499	206,198
EXPENDITURES				
Current:				
General government				
Public safety		99,570		
Public works				
Community services and development	112,587		65,394	-
Parks and recreation				172,733
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	112,587	99,570	65,394	172,733
Excess (deficiency) of revenues over (under) expenditures	(34,143)	440	3,105	33,465
OTHER FINANCING SOURCES				
Transfers out	(271,331)	(8,622)		
Transfers in				
Total Other Fin. Sources (Uses)	(271,331)	(8,622)	-	-
Extraordinary Loss On Dissolution of Redevelopment Agency	(24,005)			
Net change in fund balances	(329,479)	(8,182)	3,105	33,465
Fund balances (deficit), beginning of the year	329,479	20,953	67,586	5,008
Fund balances (deficit), end of the year	\$ -	\$ 12,771	\$ 70,691	\$ 38,473

Special Revenue Funds						
Library	Traffic Safety	Transportation Air Quality Improvements	Gas Tax	Lighting/ Landscape District	Senior Nutrition	
				81,728		
27,972		9,959	223,955			
527	9	37	405	-		180
-		-	-			
28,499	9	9,996	224,360	81,728		180
10,736			216,247			
		1,248		109,111		
10,736	-	1,248	216,247	109,111		-
17,763	9	8,748	8,113	(27,383)		180
				19,460		57,686
-	-	-	-	19,460		57,686
17,763	9	8,748	8,113	(7,923)		57,866
169,043	3,047	8,917	88,957	7,934		(57,866)
\$ 186,806	\$ 3,056	\$ 17,665	\$ 97,070	\$ 11	\$	-

City of Calimesa

Combining Statement of Revenues, Expenditures and Balances
 Changes in Fund Balances (continued)
 Nonmajor Governmental Funds
 For the year ended June 30, 2012

	Special Revenue Funds			
	Insurance	Proposition 1b	CFD #1	Special Deposits
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Charges for services				
Investment earnings		-	37	980
Other				
Total revenues	-	-	37	980
EXPENDITURES				
Current:				
General government				
Public safety				
Public works		2,500		
Community services and development				
Parks and recreation				
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	-	2,500	-	-
Excess (deficiency) of revenues over (under) expenditures	-	(2,500)	37	980
OTHER FINANCING SOURCES				
Transfers out				-
Transfers in		27,827		
Total Other Fin Sources (uses)		27,827	-	-
Extraordinary Loss On Dissolution of Redevelopment Agency				
Net change in fund balances	-	25,327	37	980
Fund balances (deficit), beginning of the year	30,000	(25,327)	1,798	(6,125)
Fund balances (deficit), end of the year	\$ 30,000	\$ -	\$ 1,835	\$ (5,145)

Senior Center Donation	Mitigation Fees	Total Special		Capital Projects	Debt Service	Total Nonmajor Governmental Funds
		Revenue Funds	General Fund	Redevelopment Agency		
\$ -	\$ -	\$ 160,159		\$ -	\$ -	\$ 160,159
	10,000	546,162				\$ 546,162
	163,740	163,740				\$ 163,740
1	4,544	6,984		31		\$ 7,015
		100,180				\$ 100,180
1	178,284	977,225		31	-	977,256
		-				-
		99,570				99,570
	23,868	253,351				253,351
	170,951	459,291				459,291
		-				-
		172,733				172,733
		-				-
		-			55,000	55,000
		-			87,933	87,933
-	194,819	984,945		-	142,933	1,127,878
1	(16,535)	(7,720)		31	(142,933)	(150,622)
-	(27,827)	(36,449)				(36,449)
	-	104,973		5,000	142,933	252,906
-	(27,827)	68,524		5,000	142,933	216,457
		(295,336)				(295,336)
1	(44,362)	(234,532)		5,031	-	(229,501)
105	1,520,722	2,164,231		10990	-	2,175,221
\$ 106	\$ 1,476,360	\$ 1,929,699	\$ 16,021	\$ -	\$ -	\$ 1,945,720

City of Calimesa

Low and Moderate Income Housing Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Taxes	\$ 181,360	\$ 78,431	\$ (102,929)
Investment earnings	300	13	(287)
Total revenues	181,660	78,444	(103,216)
EXPENDITURES			
Current:			
Community & development	168,125	112,587	55,538
Total expenditures	168,125	112,587	55,538
Excess (deficiency) of revenues over (under) expenditures	13,535	(34,143)	(47,678)
Extraordinary loss on dissolution of Redevelopment Agency	-	(295,336)	(295,336)
Fund balance, beginning of year	329,479	329,479	-
Fund balance, end of year	\$ 343,014	\$ -	\$ (343,014)

Supplemental Law Enforcement Grant Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Investment earnings	-	11	11
Total revenues	100,000	100,011	11
EXPENDITURES			
Current:			
Public safety	97,000	99,570	(2,570)
Total expenditures	97,000	99,570	(2,570)
Transfer out	-	(8,622)	(8,622)
Net change in fund balance	3,000	441	(2,559)
Fund balance, beginning of year	8,920	8,920	8,920
Fund balance, end of year	\$ 11,920	\$ 9,361	\$ (2,559)

City of Calimesa

Community Development Block Grant Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Intergovernmental	\$ 13,887	\$ 68,325	\$ 54,438
Interest	100	174	74
Total revenues	13,987	68,499	54,512
EXPENDITURES			
Current:			
Community services and development	98,000	65,394	32,606
Total expenditures	98,000	65,394	32,606
Net change in fund balance	(84,013)	3,105	87,118
Fund balance, beginning of year	67,586	67,586	-
Fund balance, end of year	\$ (16,427)	\$ 70,691	87,118

Insurance Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Investment earnings	\$ -	\$ -	\$ -
Other	-	-	-
Total revenues	-	-	-
EXPENDITURES			
Current:			
Total expenditures	-	-	-
Net change in fund balance	-	-	-
Fund balance, beginning of year	30,000	30,000	-
Fund balance, end of year	\$ 30,000	\$ 30,000	\$ -

City of Calimesa

Parks and Recreation Grant Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Intergovernmental	\$ -	\$ 205,951	\$ 205,951
Interest	-	247	247
Total revenues	-	206,198	206,198
EXPENDITURES			
Community services & development	-	172,733	(172,733)
Total expenditures	-	172,733	(172,733)
Net change in fund balance	-	33,465	33,465
Fund balance, beginning of year	5,008	5,008	-
Fund balance, end of year	\$ 5,008	\$ 38,473	\$ 33,465

Library Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Intergovernmental	\$ 25,000	\$ 27,972	\$ 2,972
Interest	500	527	27
Total revenues	25,500	28,499	2,999
EXPENDITURES			
Current:			
Public Works	13,315	10,736	2,579
Total expenditures	13,315	10,736	2,579
Net change in fund balance	12,185	17,763	5,578
Fund balance, beginning of year	169,043	169,043	-
Fund balance, end of year	\$ 181,228	\$ 186,806	\$ 5,578

City of Calimesa

Transportation Air Quality Improvement Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Intergovernmental	\$ 9,200	\$ 9,959	\$ 759
Interest	10	36	26
Total revenues	9,210	9,995	785
EXPENDITURES			
Current:			
Community services and development	1,150	1,248	(98)
Total expenditures	1,150	1,248	(98)
Net change in fund balance	8,060	8,747	687
Fund balance, beginning of year	8,917	8,917	-
Fund balance, end of year	\$ 16,977	\$ 17,664	\$ 687

Traffic Safety Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Investment earnings	\$ 10	\$ 9	\$ (1)
Total revenues	10	9	(1)
EXPENSES			
	-	-	0
Net change in fund balance	10	9	(1)
Fund balance, beginning of year	3,047	3,047	-
Fund balance, end of year	\$ 3,057	\$ 3,056	\$ (1)

City of Calimesa

Gas Tax Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Intergovernmental	\$ 253,930	\$ 223,955	\$ (29,975)
Interest	100	405	305
Total revenues	254,030	224,360	(29,670)
EXPENDITURES			
Current:			
Public works	227,233	216,247	10,986
Total expenditures	227,233	216,247	10,986
Net change in fund balance	26,797	8,113	(18,684)
Fund balance, beginning of year	88,957	88,957	-
Fund balance, end of year	\$ 115,754	\$ 97,070	\$ (18,684)

Lighting/Landscape District Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Taxes	\$ 81,000	\$ 81,728	\$ 728
Investment earnings	200	-	(200)
Total revenues	81,200	81,728	528
EXPENDITURES			
Current:			
Public works	126,628	109,111	17,517
Total expenditures	126,628	109,111	17,517
Net change in fund balance	(45,428)	(27,383)	18,045
Fund balance, beginning of year	7,934	7,934	-
Fund balance, end of year	\$ (37,494)	\$ (19,449)	\$ 18,045

City of Calimesa

Proposition 1b Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES	-	-	0
EXPENDITURES			
Public works	2,500	2,500	-
Total expenditures	2,500	2,500	-
Excess of revenues over (under) expenditures	(2,500)	(2,500)	-
Transfer-in from other funds	27,827	27,827	-
Net change in fund balance	25,327	25,327	-
Fund balance, beginning of year	(25,327)	(25,327)	-
Fund balance, end of year	\$ -	\$ -	\$ -

CFD No. 1 Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Investment earnings	\$ 35	\$ 37	\$ 2
Total revenues	35	37	2
EXPENDITURES	-	-	-
Net change in fund balance	35	37	2
Fund balance, beginning of year	1,798	1,798	-
Fund balance, end of year	\$ 1,833	\$ 1,835	\$ 2

City of Calimesa

Special Deposits
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Investment earnings	\$ 975	\$ 980	\$ 5
Total revenues	975	980	5
EXPENDITURES			
Net change in fund balance	975	980	5
Fund balance, beginning of year	(6,125)	(6,125)	-
Fund balance, end of year	\$ (5,150)	\$ (5,145)	\$ 5

Mitigation Fees Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Charges for services	\$ -	\$ 163,740	\$ 163,740
Intergovernmental	-	10,000	10,000
Interest	2,513	4,544	2,031
Total revenues	2,513	178,284	\$ 175,771
EXPENDITURES			
Current:			
Public works	14,000	23,868	(9,868)
Community & development	126,525	170,951	(44,426)
Total expenditures	140,525	194,819	(54,294)
Excess (deficiency) of revenues over (under) expenditures	(138,012)	(16,535)	121,477
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(30,000)	(27,827)	2,173
Net change in fund balance	(168,012)	(44,362)	123,650
Fund balance at beginning of year	1,520,722	1,520,722	
Fund balance at end of year	1,352,710	1,476,360	123,650

City of Calimesa

Capital Projects Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES			
Interest	\$ 40	\$ 31	\$ (9)
Total revenues	40	31	(9)
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	40	31	(9)
OTHER FINANCING SOURCES (USES):			
Transfers in	5,000	5,000	-
Net change in fund balance	5,040	5,031	(9)
Fund balance at beginning of year	10,990	10,990	
Fund balance at end of year	16,030	16,021	(9)

Redevelopment Agency Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the year ended June 30, 2012

	Final budgeted amount	Actual amounts	Variance
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Debt service:			
Principal	-	55,000	(55,000)
Interest and fiscal charges	-	87,933	(87,933)
Total expenditures	-	142,933	(142,933)
Deficiency of revenues under expenditures	-	(142,933)	(142,933)
OTHER FINANCING SOURCES			
Transfers in	-	142,933	142,933
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -