

# City of Calimesa

Calimesa, California

*Annual Audit Report and Financial  
Statements*

*For the year ended June 30, 2018*



**City of Calimesa**  
**Annual Audit Report and Financial Statements**  
**For the year ended June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Calimesa, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and budgetary comparison information on pages 5-13 and 62-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

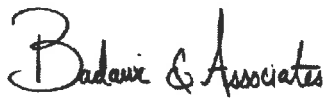
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Badawi and Associates  
Certified Public Accountants  
Oakland, CA  
December 20, 2018

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**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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This section provides the reader a narrative introduction and a readily understandable analytical overview of the City of Calimesa's (City) financial activities and performance for the fiscal year ended June 30, 2018. Summary reports showing comparisons of current financial information with that of the previous year are included to enhance the clarity and usefulness of the reports. To gain a broad perspective of the City and its financial activities, we encourage the reader to consider the information presented here in conjunction with the information that we have provided in the letter of transmittal presented at the beginning of this report.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2018, the City assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$24.2 million. Approximately 68% of this amount is invested in capital assets (net of related debt) and therefore not available to meet the City's ongoing operations.
- During the fiscal year, the City's net position increased by \$0.9 million.
- At June 30, 2018, the City's governmental funds reported combined ending fund balance of \$8.9 million, an increase of \$1.0 million compared to prior fiscal year.
- The City's General Fund balance increased by \$608,094 during fiscal year 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

*Government-Wide Financial Statements*

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

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

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

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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**OVERVIEW OF THE FINANCIAL STATEMENTS, Continued**

*Government-Wide Financial Statements, Continued*

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

*Fund Financial Statements*

Funds are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental Fund Financial Statements are used to report basically the same functions as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as the available balances of spendable resources at the end of the fiscal year. This information may be useful in assessing the City's near-term financial requirements.

In order to better understand the City's long-term and near-term financial requirements, it is useful to compare the information presented for governmental funds with the information provided for governmental activities in the Government-Wide Financial Statements. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports 14 governmental funds. The major governmental funds are the General Fund, Measure A Fund and Mitigation Fees Fund, which are presented separately in the Governmental Fund Financial Statements. Information on the other governmental funds is combined into a single aggregated presentation as non-major governmental funds. Individual fund data for each non-major governmental fund is provided in the form of combining statements as supplementary information elsewhere in the report.

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

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS, Continued**

*Notes to Basic Financial Statements*

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

*Supplementary Information*

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table shows the condensed comparative Statement of Net Position for the fiscal years ended June 30, 2018 and 2017.

**Comparative Statements of Net Position**  
**June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
<b>Assets:</b>		
Cash and investments	\$ 9,195,472	\$ 8,114,921
Other assets	1,694,930	1,648,602
Capital assets, net	16,371,747	15,933,371
<b>Total Assets</b>	<b>27,262,149</b>	<b>25,696,894</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflow - contribution	81,270	90,337
Deferred outflow - pension related amounts	219,183	159,789
<b>Total Deferred Outflows of Resources</b>	<b>300,453</b>	<b>250,126</b>
<b>Liabilities:</b>		
Long-term liabilities	1,353,104	795,611
Other liabilities	1,916,216	1,716,131
<b>Total Liabilities</b>	<b>3,269,320</b>	<b>2,511,742</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflow - pension related amounts	80,770	96,661
<b>Total Deferred Inflows of Resources</b>	<b>80,770</b>	<b>96,661</b>
<b>Net Assets:</b>		
Net Investment in Capital Assets	16,371,747	15,933,371
Restricted	6,766,412	6,374,680
Unrestricted	1,074,353	1,004,021
<b>Total Net Position</b>	<b>\$ 24,212,512</b>	<b>\$ 23,312,072</b>

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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*Government-Wide Financial Analysis, Continued*

Net Position may serve over time as a useful indicator of the City's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24.2 million. This is an increase of \$0.9 million or 3.9% over the prior fiscal year. The reasons for this increase are detailed below in the comparative statements of activities and changes in Net Position.

The largest portion of the City's Net Position, \$16.4 million, or 68%, is its investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, they are not available for future spending. There is outstanding debt of \$411,840 with relation to capital assets.

Another portion of the City's Net Position, \$6.7 million, or 28%, are resources subject to external restrictions and may only be used for the purpose intended by the entities that provided these funds to the City.

The remaining balance of the City's Net Position of \$1.1 million, or 4%, represents unrestricted Net Position, which may be used to finance daily operations without constraints established by debt covenants or other legal requirements.

The City's cash and investments increased by \$1,080,551.

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

*Government-Wide Financial Analysis, Continued*

The following table shows the condensed comparative Statements of Activities and Changes in Net Position for the fiscal years ended June 30, 2018 and 2017.

**Comparative Statements of Activities and Changes in Net Position**  
**June 30, 2018 and 2017**

	Governmental Activities	
	2018	2017
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 721,781	\$ 794,189
Operating grants and contributions	759,106	545,996
Capital grants and contributions	1,167,093	1,688,371
Total program revenues	<u>2,647,980</u>	<u>3,028,556</u>
General revenues:		
Taxes:		
General property taxes	2,585,173	2,347,976
Sales tax	840,878	753,633
Motor vehicle in-lieu	834,120	765,199
Franchise fees	363,374	354,735
Transient occupancy tax	51,554	52,369
Business Licenses	34,121	41,885
Use of money and property	97,110	48,483
Miscellaneous	211,714	59,764
Total general revenues	<u>5,018,044</u>	<u>4,424,044</u>
<b>Total Revenues</b>	<u>7,666,024</u>	<u>7,452,600</u>
<b>Expenses:</b>		
General government	\$ 1,134,884	1,087,316
Public safety	4,363,238	3,237,643
Public works	596,625	1,172,678
Community development	446,887	856,702
Parks and recreation	200,830	208,005
Library	23,120	30,716
<b>Total Expenses</b>	<u>6,765,584</u>	<u>6,593,060</u>
Increase (decrease) in net assets	900,440	859,540
Prior Period Adjustments	(26,545)	211,230
Net assets - beginning	23,338,617	22,267,847
Net assets - ending	<u>\$ 24,212,512</u>	<u>\$ 23,338,617</u>

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

The City's expenses totaled \$6.7 million in fiscal year 2018. These expenses were more than offset by program revenues of \$2.6 million and general revenues of \$5.0 million. This resulted in an increase in Net Position of \$0.9 million.

**Program Revenues** – Program Revenues include fees and other specific charges designed to cover all or part of the costs of programs provided to the citizens, as well as certain revenues related to capital improvements and new development. Capital grants and contributions decreased by \$521,278 mainly due to a decrease in development mitigation fees collected in 2017-18 which was partially offset by an increase in operating grants and contributions from CDBG revenues from the grant-funded housing rehabilitation program. Overall, program revenues decreased by \$390,576.

**General Revenues** – The overall increase from the prior year is 13.4%. This is mainly due to a 10% increase in property taxes, a 11.6% increase in sales tax, as well as a steady increase in motor vehicle-lieu and business license revenue. In addition, investment earnings increased by 100%, or \$ 48,627. Although the dollar amount may not significantly contribute to the overall increase of \$ 594,000 in General Revenues, the increase is an indicator of an improving economy, as well as an indicator of a steady increase in the City's overall cash and investment balances.

**Expenses** - Expenses increased in total by \$172,524, or 2.6%. There are a number of fluctuations occurring that include almost every expense category. The main areas of increases include public safety costs of \$1.1 million related to an increase in the police services contract, as well as capital costs associated with the transition to an in-house fire department. In addition, there were decreases in both Public Works expenses for street projects and Community Development costs totaling \$985,868 that significantly offset the above increase.

**FUND FINANCIAL ANALYSIS**

*Governmental Funds*

The City's governmental funds provide information on short-term inflows, outflows, and balances of spendable resources. This information is useful in evaluating the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of fiscal year.

At June 30, 2018, the City's combined governmental fund balances were \$8.93 million, an increase of \$1.0 million, or 11.25%, over the prior fiscal year. Of this amount, approximately \$6.8 million represents restricted fund balance and \$0.16 million represents assigned fund balance. The balance represents unassigned fund balance of \$2.0 million.

Governmental revenues in fiscal year 2018 were \$7.7 million. This was an increase of \$295,423 from fiscal year 2017. Although there were both increases and decreases in various categories, taxes, charges for service and investment earnings all saw steady increases which is indicative of an improving economy.

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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Governmental expenditures in fiscal year 2018 were \$7.1 million, an increase of \$260,650 from the prior fiscal year. Although the increase is only 3.8%, there are a couple significant areas of note. As mentioned earlier, public safety costs increased by \$1.1 million due to capital costs associated with the establishment of an in-house fire department, as well as police contract services. In addition, there were decreases in both Public Works expenses for street projects and Community Development costs totaling \$985,868 that significantly offset the above increase.

**FUND FINANCIAL ANALYSIS, Continued**

The following provides an analysis of the City's major funds:

**General Fund**

The General Fund is the primary operating fund of the City. At June 30, 2018, the assigned fund balance of the General Fund was \$130,925 while total fund balance was \$2,135,796. The unassigned balance of \$2,004,871 represents an operating reserve (when compared to expenditures) of 41%. This is well in excess of the 10% City Council policy.

The total fund balance of the City's General Fund increased by \$608,094 when compared to fiscal year 2017. Revenues exceeded expenditures by \$645,493, while other financing sources resulted in a decrease of \$37,399. Revenues increased by \$445,574 and expenditures decreased by \$93,777 from the prior year. The increase in revenues was primarily due to an increase in taxes of 11.4%, as well as fluctuations in other revenue categories. The 1.8% decrease in overall expenditures was due to fluctuations in various expenditure categories. Although none of the net fluctuations were individually noteworthy, it should be noted that the City avoided additional significant future cost increases in the Public Safety category with the conversion to an in-house fire department. This is discussed in more detail in the Economic Factors and Next Year's Budget section below.

**Measure A - Special Revenue Fund**

The Measure A Fund accounts for revenue in the form of voter-approved sales tax to be used for street and road purposes. The revenue in this fund decreased by \$25,743, while expenditures decreased by \$271,956. This was mainly due to the Safe Routes to School project which commenced construction in fiscal year 2015-16 and is partially grant funded and partially Measure A funded. All revenues and expenditures related to the project are accounted for in this fund. The project was completed early in fiscal year 2017.

**Mitigation Fees - Special Revenue Fund**

The Mitigation Fee Fund accounts for revenue from development impact fees and grants to be used for facilities including street and traffic, parks, public safety and general government. These fees are used to mitigate the impacts of new development. Activity in the fund will vary from year to year based upon the timing of development moving forward. For example, the revenue in this fund is typically collected prior to the issuance of a building permit. The expenditures, however, will vary as city-initiated projects for infrastructure are moved forward. The net increase in this fund of \$258,022 in 2018 is well within expected parameters. Revenues decreased by \$430,881 based upon the timing of certain development moving forward and expenditures increased by \$494,743 mainly due to equipment purchases and facility improvements related to the formation of an in-house fire department.

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

The General Fund revenue budget for fiscal year 2018 was increased during the year by \$110,623 in an effort to capture actual operating results in various revenue categories. The expenditure budgets were also amended as a decrease to account for anticipated savings of \$233,698. Actual expenditures for the fiscal year were \$382,488 under the amended budget mainly due to savings in fire department costs, engineering services and legal expenses. Actual revenues were \$161,490 higher than the final amended budget due primarily to an increase in taxes.

**CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

*Capital Assets*

The City's capital assets include those assets that are used in the performance of the City's services. At June 30, 2018, the City's capital assets used in governmental activities amounted to \$16.4 million, net of depreciation.

Capital assets for governmental activities are presented below to illustrate changes from prior fiscal year (amounts in millions):

	Governmental Activities	
	2018	2017
Land	\$ 1,918,401	\$ 1,918,401
Construction in Progress	895,425	652,579
Buildings and Improvements	4,157,734	4,157,734
Infrastructure:		
Road Network	12,655,924	12,468,088
Equipment	1,107,790	538,368
Capital assets before depreciation	20,735,274	19,735,170
Less: accumulated depreciation (excludes land)	(4,363,527)	(3,801,799)
Total net capital assets	<u>\$ 16,371,747</u>	<u>\$ 15,933,371</u>

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

**City of Calimesa**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2018**

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*Long-term Obligations*

At June 30, 2018, the City had long-term debt outstanding of \$551,782 compared to \$111,679 in the prior year. The main difference was related to the lease-purchase of a new fire engine. The City's long-term debt obligations at June 30, 2018 and 2017 were as follows:

	Governmental Activities	
	2018	2017
Compensated Absences	\$ 139,942	\$ 111,679
Capital Lease Payable	\$ 411,840	
Total	\$ 551,782	\$ 111,679

Not included in the above total outstanding debt amount is the Successor Agency Trust. At June 30, 2018, there was \$2,565,000 outstanding. Additional information on long-term obligations is provided in Note 9 to the Basic Financial Statements.

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

The City's adopted budget for 2018-19 recognized that:

- Continuing to focus on increasing the City's tax base, namely, property taxes and sales tax, will be key to sustaining service levels and long-term fiscal stability.
- The adopted FY 2018/19 budget projects an approximate 28% General Fund reserve level, which is a well above the Council approved policy of 10%. It should be noted that actual operating results as reflected in these Basic Financial Statements will increase that projection due to an increase in beginning fund balance that is larger than anticipated.
- The City transitioned from a contract Fire Department to an in-house Fire Department on January 1, 2018 in an effort to control and reduce costs, as the cost of the contract was unsustainable. The 2018-19 budget contains the first full year of operations for the in-house department and reflects a significant savings in costs over what the contract obligation would have been. The projected cost would have been approximately \$2.2 million versus the \$1.5 million budgeted in 2018-19.
- Development will play a major role in 2018-19 in the areas of revenue generation, infrastructure and staffing levels.
- PERS rates remain an ongoing factor influencing the budget.

**REQUEST FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Calimesa, Finance Department, 908 Park Avenue, Calimesa, California 92320.

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**BASIC  
FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Calimesa**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments (Note 2)	\$ 9,195,472
Receivables:	
Taxes	350,384
Interest	39,292
Due from the Successor Agency	74,891
Due from other governments	648,059
Note Receivable	582,304
Capital assets not being depreciated (Note 5)	2,813,826
Capital assets being depreciated, net (Note 5)	13,557,921
<b>Total Assets</b>	<b>27,262,149</b>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pension contribution	81,270
Deferred outflow - pension related amounts	219,183
<b>Total Deferred Outflows of Resources</b>	<b>300,453</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	999,322
Accrued Payroll	26,104
Deposits	855,813
Unearned Revenue	34,977
Noncurrent liabilities:	
Due within one year	69,654
Due in more than one year	482,128
Net pension liability	801,322
<b>Total Liabilities</b>	<b>3,269,320</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pension related amounts	80,770
<b>Total Deferred Inflows of Resources</b>	<b>80,770</b>
<b>Net Position</b>	
Invested in capital assets (Note 5)	16,371,747
Restricted:	
Legally restricted - Street and Road Improvements	549,603
Regulatory/grant restrictions	1,270,828
Legally restricted - Dev. Impact fees	4,945,981
Unrestricted	1,074,353
<b>Total Net Position</b>	<b>\$ 24,212,512</b>

See accompanying Notes to Basic Financial Statements.

**City of Calimesa**  
**Statement of Activities**  
**For the year ended June 30, 2018**

Functions/Programs:	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary Government:</b>						
<b>Governmental activities:</b>						
General government	\$ 1,134,884	\$ 250,489	\$ 12,286	\$ -	\$ 262,775	\$ (872,109)
Public safety	4,363,238	99,862	156,083	-	255,945	(4,107,293)
Public works	596,625	128,279	293,001	1,167,093	1,588,373	991,748
Community services and development	446,887	243,151	297,736	-	540,887	94,000
Parks and recreation	200,830	-	-	-	-	(200,830)
Library	23,120	-	-	-	-	(23,120)
<b>Total governmental activities</b>	<b>\$ 6,765,584</b>	<b>\$ 721,781</b>	<b>\$ 759,106</b>	<b>\$ 1,167,093</b>	<b>\$ 2,647,980</b>	<b>(4,117,604)</b>
			<b>General Revenues:</b>			
			Taxes:			
			Property			2,585,173
			Sales tax			840,878
			Motor vehicle in-lieu			834,120
			Franchise fees			363,374
			Transient occupancy taxes			51,554
			Busines Licenses			34,121
			<b>Total Taxes</b>			<b>4,709,220</b>
			Unrestricted investment earnings			97,110
			Other			211,714
			<b>Total general revenues</b>			<b>5,018,044</b>
			<b>Change in net position</b>			<b>900,440</b>
			<b>Net position - beginning of year, as rest:</b>			<b>23,312,072</b>
			<b>Net position - end of year</b>			<b>\$ 24,212,512</b>

See accompanying Notes to Basic Financial Statements.

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

**City of Calimesa**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
<b>Assets</b>			
Cash and investments	\$ 3,290,498	\$ 336,973	\$ 4,913,253
Receivables:			
Taxes	328,214	-	-
Intergovernmental		212,753	90,108
Interest	39,292	-	-
Loans	-	-	-
Due from other funds	142,385	-	-
Due from the Successor Agency	74,891	-	-
Total Assets	<u>\$ 3,875,280</u>	<u>\$ 549,726</u>	<u>\$ 5,003,361</u>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balance</b>			
Liabilities:			
Accounts payable	815,749	123	57,380
Accrued Payroll	26,104	-	-
Unearned revenues	4,051	-	-
Due to other funds	-	-	-
Deposits	855,813	-	-
Total Liabilities	<u>1,701,717</u>	<u>123</u>	<u>57,380</u>
Deferred Inflow of Resources:			
Unavailable revenues	37,767	-	-
Total Deferred Inflow of Resources	<u>37,767</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted	-	549,603	4,945,981
Assigned for:			
Capital projects	-	-	-
Insurance	130,925	-	-
Unassigned	2,004,871	-	-
Total Fund Balance	<u>2,135,796</u>	<u>549,603</u>	<u>4,945,981</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 3,875,280</u>	<u>\$ 549,726</u>	<u>\$ 5,003,361</u>

See accompanying Notes to Basic Financial Statements.

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 654,748	\$ 9,195,472
22,170	350,384
345,198	648,059
-	39,292
582,304	582,304
-	142,385
-	74,891
<u>\$ 1,604,420</u>	<u>\$ 11,032,787</u>
126,070	999,322
-	26,104
30,926	34,977
142,385	142,385
-	855,813
<u>299,381</u>	<u>2,058,601</u>
881	38,648
<u>881</u>	<u>38,648</u>
1,270,828	6,766,412
33,330	33,330
-	130,925
-	2,004,871
<u>1,304,158</u>	<u>8,935,538</u>
<u>\$ 1,604,420</u>	<u>\$ 11,032,787</u>

## City of Calimesa

### Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2018

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<b>Total Fund Balance - Governmental Funds</b>	\$	8,935,538
Amounts reported for governmental activities in the statement of net positions (page 19) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,371,747
Revenues in the statement of activities that do not provide current financial resources are classified as Deferred Inflows of Resources in the funds.		38,648
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.		81,270
In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.		138,413
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,353,104)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>24,212,512</b>

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See accompanying Notes to Basic Financial Statements.

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# City of Calimesa

## Statements of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended June 30, 2018

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
<b>Revenues</b>			
Taxes	\$ 4,627,867	\$ -	\$ -
Licenses and permits	277,272	-	-
Fines and forfeitures	49,254	-	-
Intergovernmental	7,286	166,168	104,037
Charges for services	250,489	-	-
Development fees	128,279	-	1,000,925
Investment earnings	26,944	4,005	58,704
Other	211,554	-	-
<b>Total Revenues</b>	<b>5,578,945</b>	<b>170,173</b>	<b>1,163,666</b>
<b>Expenditures</b>			
<b>Current:</b>			
General government	1,038,492	-	12,822
Public safety	3,227,754	-	912,783
Public works	198,312	187,435	305,249
Community services and development	348,977	-	75,896
Parks and recreation	119,917	-	7,567
Library	-	-	3,167
<b>Total Expenditures</b>	<b>4,933,452</b>	<b>187,435</b>	<b>1,317,484</b>
<b>Excess of Revenues Over Expenditures</b>	<b>645,493</b>	<b>(17,262)</b>	<b>(153,818)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	44,601	-	-
Proceeds from capital lease	-	-	411,840
Transfers out	(82,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(37,399)</b>	<b>-</b>	<b>411,840</b>
<b>Net Change in Fund Balance</b>	<b>608,094</b>	<b>(17,262)</b>	<b>258,022</b>
<b>Fund Balance - Beginning of year, as restated</b>	<b>1,527,702</b>	<b>566,865</b>	<b>4,687,959</b>
<b>Fund Balance - End of year</b>	<b>\$ 2,135,796</b>	<b>\$ 549,603</b>	<b>\$ 4,945,981</b>

See accompanying Notes to Basic Financial Statements.

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 87,433	\$ 4,715,300
-	277,272
-	49,254
698,391	975,882
-	250,489
-	1,129,204
7,457	97,110
160	211,714
<u>793,441</u>	<u>7,706,225</u>
-	1,051,314
183,399	4,323,936
479,247	1,170,243
3,555	428,428
-	127,484
19,953	23,120
<u>686,154</u>	<u>7,124,525</u>
107,287	581,700
82,000	126,601
-	411,840
(44,601)	(126,601)
<u>37,399</u>	<u>411,840</u>
144,686	993,540
1,159,472	7,941,998
<u>\$ 1,304,158</u>	<u>\$ 8,935,538</u>

## City of Calimesa

### Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statements of Activities For the Year Ended June 30, 2018

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Net change in fund balance - governmental funds \$ 993,540

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

Governmental funds reported additions of capital assets as capital outlay and program expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets purchased in the current period. 1,000,104

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. (561,728)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (40,201)

Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position. 81,270

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (132,442)

Issuance of long term debt is reported as other financing sources in the governmental funds and this contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities: (411,840)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. In addition, some expenditures recorded in the governmental funds have already been expensed in the government-wide in prior years (28,263)

**Change in net position of governmental activities** \$ 900,440

## FIDUCIARY FUND FINANCIAL STATEMENTS

### **Agency Funds**

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

### **Private Purpose Trust Funds**

*Successor Agency Trust Fund* accounts for assets and liabilities transferred from the City to the Successor Agency Trust Fund.

**City of Calimesa**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<b>Community Facilities Districts</b>	<b>Successor Agency Trust Fund</b>
<b>Assets</b>		
Cash and investments	\$ 877,940	\$ 2,343
Cash and investments with fiscal agent - restricted	2,131,830	204,013
Receivables:		
Taxes	8,459	-
<b>Total Assets</b>	<b>\$ 3,018,229</b>	<b>206,356</b>
<b>Deferred outflows of resources</b>		
Deferred loss on refunding		91,905
<b>Total deferred outflows of resources</b>		<b>91,905</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,547	-
Deposits	8,540	-
Due to City of Calimesa		74,891
Due to bondholders	2,995,142	-
Noncurrent liabilities:		
Due within one year	-	100,000
Due in more than one year	-	2,495,025
<b>Total Liabilities</b>	<b>\$ 3,018,229</b>	<b>2,669,916</b>
<b>Net Position</b>		
Unrestricted		(2,371,655)
<b>Net Position</b>		<b>\$ (2,371,655)</b>

See accompanying Notes to Basic Financial Statements.

**City of Calimesa**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2018**

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	<u>Successor Agency Trust Fund</u>
<b>Additions</b>	
Intergovernmental revenue	\$ 296,630
Investment earnings	<u>2,276</u>
Total additions	<u>298,906</u>
<b>Deductions</b>	
Administration	99,415
Interest	<u>95,803</u>
Total deductions	<u>195,218</u>
Change in Net Position	103,688
<b>Net Position - beginning</b>	<u>(2,475,343)</u>
<b>Net Position - ending</b>	<u>\$ (2,371,655)</u>

See accompanying Notes to Basic Financial Statements.

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Calimesa**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the reporting entity**

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

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

**Cash, Cash Equivalents and Investments**

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

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

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

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

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

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

**Receivables**

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

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

**Interfund Transactions**

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

**Use of estimates**

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

**Unearned revenues**

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

**Claims and judgments**

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

**Capital assets**

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

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

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

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

**Pension Plan**

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

**Employee leave benefits**

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

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

*Compensatory time*

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

*Sick leave*

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

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

*Vacation leave*

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

**Property taxes**

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

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

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

**Net Position**

*Government-Wide Financial Statements*

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

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

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

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

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

**Fund Balances**

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

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

Committed Fund Balance - That portion of fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council, the City's government's highest level decision making authority. In order for funds to be considered committed, a resolution must be passed by the City Council. The established constraints remain binding until City Council takes action to amend the applicable resolution.

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

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

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

**Long-term obligations**

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

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

**Deferred Outflows/Inflows of Resources**

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

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

*E. New Pronouncements*

In 2018, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the City for the current fiscal year.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

*E. New Pronouncements, Continued*

- GASB Statement No. 85, *Omnibus 2017* – The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* – The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the City for the current fiscal year.

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows.

Statement of net positions:

Cash and investments	\$ 9,195,472
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Fiduciary funds:

Cash and investments	880,283
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Cash and investments with fiscal agent-restricted	2,335,843
---------------------------------------------------	-----------

Total cash and investments	\$ 12,411,598
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Pooled deposits:

Demand deposits	\$ 3,141,990
-----------------	--------------

Petty cash	400
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Investments	9,269,208
-------------	-----------

Total cash and investments	\$ 12,411,598
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**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**2. CASH AND INVESTMENTS, Continued**

*A. Deposits*

The carrying amount of the City's cash deposit was \$3,141,990 at June 30, 2018. Bank balances before reconciling items were \$3,105,162 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

*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.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**2. CASH AND INVESTMENTS, Continued**

**B. Investments, Continued**

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

<u>Authorization investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage allowed</u>	<u>Maximum investment in one issuer</u>
U.S. Treasury Obligations	5 years	None	None
Local Agency Investment Fund	5 years	None	None
Certificates of Deposit	2 years	15%	None
FNMA (Fannie Mae)	5 years	75%	None
GNMA (Ginnie Mae)	5 years	20%	None

***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*.

<u>Authorization investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage allowed</u>	<u>Maximum investment in one issuer</u>
U.S. Treasury Obligations	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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**2. CASH AND INVESTMENTS, Continued**

**B. 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 month or less
Local Agency Investment Fund	\$ 9,269,208	\$ 9,269,208
Held by bond trustee:		
Morgan Stanley Prime Instl	204,013	204,013
<b>Total investments</b>	<b>\$ 9,473,221</b>	<b>\$ 9,473,221</b>

*Custodial credit risk*

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits:

*Credit risk/pooled cash*

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

*Disclosures relating to credit risk*

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**2. CASH AND INVESTMENTS, Continued**

***B. Investments, Continued***

Investment type	Amount	Minimum legal rating	Ratings at fiscal year end	
			AAAm/Aaa-mf	Not Rated
Local Agency Investment Fund	\$ 9,269,208	N/A	-	\$ 9,269,208
Held by bond trustee:				
BlackRock Treasury Trust Instl	204,013	N/A	204,013	-
<b>Total investments</b>	<b>\$ 9,473,221</b>		<b>\$ 204,013</b>	<b>\$ 9,269,208</b>

***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 Morgan Stanley are more than 5% of the City's total investment portfolio.

***Investment in State investment pool***

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City's investment with LAIF at June 30, 2018 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2018, the City had \$9,269,208 invested in LAIF, which had 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 0.998126869 to the total investments held by LAIF.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Current balances are expected to be repaid in the normal course of business during the following fiscal year. The City's balance represent loans to cover temporary shortages of cash in individual funds.

		Due From	
		General Fund	Total
Due To	Nonmajor Governmental Fund:	\$ 142,385	\$ 142,385
	Total	\$ 142,385	\$ 142,385

The composition of interfund balances as of June 30, 2018, is as follows:

		Transfers In		
		General Fund	Non Major Governmental Funds	Total
Transfers Out	<b>Major Fund:</b>			
	General Fund	\$ -	\$ 82,000	\$ 82,000
	Nonmajor Governmental Fund:	44,601	-	44,601
	Total	\$ 44,601	\$ 82,000	\$ 126,601

The most significant transfers which occurred was: \$69,000 from the General Fund to the Lighting/Landscaping District Fund to cover the annual projected operating deficit in this fund.

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**4. CAPITAL ASSETS**

A summary of changes in capital assets at June 30, 2018 is as follows:

	Beginning balance	Additions	Deletions	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,918,401	\$ -	\$ -	\$ 1,918,401
Construction in progress	652,579	430,682	187,836	895,425
Total capital assets not being depreciated	<u>2,570,980</u>	<u>430,682</u>	<u>187,836</u>	<u>2,813,826</u>
Capital assets being depreciated:				
Building and improvements	4,157,734	-	-	4,157,734
Machinery and equipment	538,368	569,422	-	1,107,790
Road network	12,468,088	187,836	-	12,655,924
Total capital assets being depreciated	<u>17,164,190</u>	<u>757,258</u>	<u>-</u>	<u>17,921,448</u>
Less accumulated depreciation for:				
Buildings and improvements	(832,629)	(103,943)	-	(936,572)
Machinery and equipment	(487,629)	(44,735)	-	(532,364)
Road network	(2,481,541)	(413,050)	-	(2,894,591)
Total accumulated depreciation	<u>(3,801,799)</u>	<u>(561,728)</u>	<u>-</u>	<u>(4,363,527)</u>
Total capital assets, being depreciated, net	<u>13,362,391</u>	<u>195,530</u>	<u>-</u>	<u>13,557,921</u>
Governmental activities capital assets, net	<u>\$ 15,933,371</u>	<u>\$ 626,212</u>	<u>\$ 187,836</u>	<u>\$ 16,371,747</u>

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

General government	\$ 4,135
Public safety	39,303
Public works	426,487
Community services and development	18,459
Parks and recreation	<u>73,344</u>
Total depreciation expense - governmental activities	<u>\$ 561,728</u>

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**5. LONG-TERM LIABILITIES**

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2018:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Compensated Absences	\$ 111,679	\$ 63,084	\$ 34,821	\$ 139,942	\$ 34,059
Capital Lease Payable	-	411,840	-	411,840	35,595
Total Long-Term Liabilities	\$ 111,679	\$ 474,924	\$ 34,821	\$ 551,782	\$ 69,654

*Compensated absences*

For the governmental funds, accumulated vacation, and compensatory time payable, excluding the current portion of \$34,059 at June 30, 2018, was \$105,883. These amounts are payable from futures resources and therefore have been recorded as long-term liabilities. These liabilities are generally liquidated by the General Fund.

*Capital lease payable*

On October 16, 2017, the City entered into a lease agreement with the Municipal Finance Corporation to finance the acquisition of a fire engine. The lease will be paid off in 10 annual installment payments and qualifies as a capital lease for accounting purposes. The future minimum obligations and the net present value of the lease payments as of June 30, 2018, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$48,774
2020	48,774
2021	48,774
2022	48,774
2023	48,774
2024-2028	243,870
Total lease payment	\$487,740
Less: amount representing interest	(75,900)
Present value of minimum lease payments	\$411,840

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**6. EMPLOYEE RETIREMENT PLANS**

**Defined Benefit Plan:**

**A. *Plan Description***

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

**B. *Benefits Provided***

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

The Plan's provisions and benefits in effect at June 30, 2018 are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.65%	6.53%
Required employer dollar UAL payment (annual)	\$27,228	\$4

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**6. EMPLOYEE RETIREMENT PLANS, CONTINUED**

*B. Benefits Provided, Continued*

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

For the year ended June 30, 2018, the contributions recognized against net pension liability for the Plan were as follows:

Contributions - employer	\$	90,337
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*C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$801,322.

The City’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportionate of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.007900%
Proportion - June 30, 2017	<u>0.008080%</u>
Change - Increase (Decrease)	<u><u>0.000180%</u></u>

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**6. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

For the year ended June 30, 2018, the City recognized pension expense of \$129,470. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 81,270	\$ -
Changes of assumptions	159,398	12,154
Differences between expected and actual experience	1,285	18,405
Changes in employer's proportion	22,338	23,382
Differences between the employer's contribution and the employer's proportionate share of contributions	113	26,829
Net differences between projected and actual earnings on plan investments	36,049	-
<b>Total</b>	<b>\$ 300,453</b>	<b>\$ 80,770</b>

\$81,270 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

Measurement Period Ending June 30:	
2019	\$ 13,121
2020	91,293
2021	55,401
2022	(21,402)
Thereafter	-

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**6. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return <sup>(1)</sup>	7.15%
Mortality	Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

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

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

**6. EMPLOYEE RETIREMENT PLANS, CONTINUED**

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.09%
Total	100%		

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -*  
The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	\$	1,326,743
Current Discount Rate		7.15%
Net Pension Liability	\$	801,322
1% Increase		8.15%
Net Pension Liability	\$	366,158

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**6. EMPLOYEE RETIREMENT PLANS, CONTINUED**

D. Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$2,093 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**Defined Contribution Plan:**

The City sponsors the City of Calimesa Public Agency Retirement System (PARS) Defined Contribution Plan for its fire employees. An Eligible Employee shall participate in this Plan if he or she is a full-time Fire Safety Employee of the City on or after September 1, 2017. The City contribute 7.5% of employee compensation annually into the Plan. Employees' contributions are optional. Each Participant shall be one hundred percent (100%) vested in his or her Employer Contribution Account at all times. During the fiscal year ended June 30, 2018, the City contributed \$20,150 to the Plan.

**7. RISK MANAGEMENT**

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

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

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

*Workers' compensation* - The City maintains workers' compensation insurance through PARSAC. The City is at risk up to \$25,000 per occurrence. Coverage through PARSAC is up to \$500,000 per claim. Claims in excess of \$500,000, up to \$5,000,000 are covered by policies purchased by PARSAC through third parties.

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

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**8. CONTINGENCIES**

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

The City is not involved in any pending lawsuits that may have a material adverse effect on the financial statements of the City.

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

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

AB 1X 26 prescribes that either the city or another local government entity must serve as the successor agency to the former redevelopment agency. The role of the successor agency is to hold net assets of the former redevelopment agency until they can be transferred to the state or respective county. On February 6, 2012 the City Council adopted Resolution No. 2012-01 which provided for the low-to-moderate income housing functions (LMI) and related net assets of the former Redevelopment Agency to be assumed by the City Council.

Resolution No. 2012-01 of the Calimesa Successor Agency (CSA) was approved which provided for the City to act as the successor agency to the former Redevelopment Agency. For clarity and ease of financial statement presentation purposes, both the LMI and non-housing financial activities and net position subsequent to January 31, 2012 are reported as fiduciary funds in these basic financial statements.

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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

The following is a summary of the changes in bonds payable in the Successor Agency Trust Fund for the fiscal year ended June 30, 2018:

Description	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds					
2014 Series bonds, Refunding	\$ 2,665,000	\$ -	\$ (100,000)	\$ 2,565,000	\$ 100,000
Deferred amounts					
For issuance premium, relating to 2014 bonds	35,951	-	(5,926)	30,025	-
Total Bonds	\$ 2,700,951	\$ -	\$ (105,926)	\$ 2,595,025	\$ 100,000

***2014 Tax Allocation Refunding Revenue Bonds***

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

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

Interest is payable semi-annually on June 1 and December 1 commencing on December 1, 2014. The bonds mature between the time frames of December 1, 2014 and December, 2038 in amounts ranging from \$60,000 to \$920,000.

The bonds were issued to assist the Agency in the financing of redevelopment activities, to fund the Reserve Subaccounts and to pay certain costs relating to the issuance of the bonds. Per the bond indenture, a reserve is required to be maintained and at June 30, 2018, the amount held in the reserve account was \$204,013 which was fully funded. The bonds are payable from and equally and ratably secured by a first pledge of Revenues consisting primarily of certain property tax revenues to be derived from the Project Areas.

***Pledged revenues***

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

**City of Calimesa**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2018**

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**10. COMMITMENTS AND CONTINGENCIES**

The City has a loan payable to the City of Beaumont relating to road improvements for a road shared by the City and the City of Beaumont. Repayment shall be made out of the first development impact fees received by the City from developers in the Summerwind Ranch Specific Plan. The City's liability to repay the loan is limited to the extent of the development impact fees that they receive.

**11. PRIOR PERIOD ADJUSTMENT**

The City recorded the following prior period adjustment to correct the balance of loans receivable reported in prior years:

	Net Position, as Previously Reported at June 30, 2017	Prior Period Adjustments <u>Loans Receivable</u>	Net Position, as Restated at June 30, 2018
Government-Wide Statements			
Governmental Activities	\$ 23,338,617	\$ (26,545)	\$ 23,312,072
Governmental Funds			
Housing Rehab - State	\$ 746,202	\$ (26,545)	\$ 719,657

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**City of Calimesa**  
**Notes to the Required Supplementary Information, Continued**  
**For the year ended June 30, 2018**

**1. DEFINED BENEFIT PENSION PLAN**

Last of 10 Years\*

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>Measurement Date</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>
Proportion of the net pension liability	0.008080%	0.007900%	0.007099%	0.009224%
Proportionate share of the net pension liability	\$ 801,322	\$ 683,932	\$ 487,296	\$ 573,976
Covered payroll	\$ 699,490	\$ 697,838	\$ 835,197	\$ 610,159
Proportionate Share of the net pension liability as percentage of covered-employee payroll	114.56%	98.01%	58.35%	94.07%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	74.06%	78.40%	79.82%

**Notes to Schedule:**

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

Last of 10 Years\*

**SCHEDULE OF THE CITY'S CONTRIBUTIONS**

<b>Fiscal year</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution (actuarially determined)	\$ 81,270	\$ 90,337	\$ 82,408	\$ 93,041
Contribution in relation to the actuarially determined contributions	(81,270)	(90,337)	(82,408)	(93,041)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 821,901	\$ 699,490	\$ 697,838	\$ 835,197
Contributions as a percentage of covered payroll	9.89%	12.91%	11.81%	11.14%
<b>Note to Schedule</b>				
Valuation date:	6/30/2015	6/30/2014	6/30/2013	6/30/2012

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

**City of Calimesa**  
**Notes to the Required Supplementary Information, Continued**  
**For the year ended June 30, 2018**

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**2. BUDGETARY INFORMATION**

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

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

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

**City of Calimesa**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 4,324,088	\$ 4,465,179	\$ 4,627,867	\$ 162,688
Licenses & permits	455,935	252,422	277,272	24,850
Fines & Forfeitures	33,448	49,196	49,254	58
Intergovernmental	22,000	51,200	7,286	(43,914)
Charges for Services	247,461	247,932	250,489	2,557
Development Fees	165,800	107,626	128,279	20,653
Interest Income	13,100	18,900	26,944	8,044
Other	45,000	225,000	211,554	(13,446)
<b>Total revenues</b>	<b>5,306,832</b>	<b>5,417,455</b>	<b>5,578,945</b>	<b>161,490</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,190,683	1,117,549	1,038,492	79,057
Public Safety	3,539,445	3,413,585	3,227,754	185,831
Public Works	251,670	294,160	198,312	95,848
Community development	439,584	363,701	348,977	14,724
Parks and recreation	128,256	126,945	119,917	7,028
<b>Total expenditures</b>	<b>5,549,638</b>	<b>5,315,940</b>	<b>4,933,452</b>	<b>382,488</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>(242,806)</b>	<b>101,515</b>	<b>645,493</b>	<b>\$ 543,978</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	44,387	144,601	44,601	(100,000)
Transfers out	(90,000)	(182,000)	(82,000)	100,000
<b>Total other financing sources (uses)</b>	<b>(45,613)</b>	<b>(37,399)</b>	<b>(37,399)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (288,419)</b>	<b>\$ 64,116</b>	<b>608,094</b>	<b>\$ 543,978</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,527,702	
End of year			<b>\$ 2,135,796</b>	

**City of Calimesa**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Measure A Special Revenue Fund**  
**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 209,000	\$ 212,000	\$ 166,168	\$ (45,832)
Interest Income	3,200	3,200	4,005	805
<b>Total revenues</b>	<b>212,200</b>	<b>215,200</b>	<b>170,173</b>	<b>(45,027)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	185,400	344,910	187,435	157,475
<b>Total expenditures</b>	<b>185,400</b>	<b>344,910</b>	<b>187,435</b>	<b>157,475</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>26,800</b>	<b>(129,710)</b>	<b>(17,262)</b>	<b>112,448</b>
<b>Net change in fund balance</b>	<b>\$ 26,800</b>	<b>\$ (129,710)</b>	<b>(17,262)</b>	<b>\$ 112,448</b>
<b>FUND BALANCE:</b>				
Beginning of year			566,865	
End of year			<b>\$ 549,603</b>	

# City of Calimesa

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

### Mitigation Fees Special Revenue Fund

For the year ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 3,900,000	\$ 8,761,789	\$ 104,037	(8,657,752)
Development fees	700,880	580,872	1,000,925	420,053
Interest Income	25,800	39,000	58,704	19,704
<b>Total revenues</b>	<b>4,626,680</b>	<b>9,381,661</b>	<b>1,163,666</b>	<b>(8,217,995)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	1,203,482	3,550,011	12,822	3,537,189
Community development	-	49,475	75,896	(26,421)
Public safety	2,721	559,767	912,783	(353,016)
Public works	2,797,825	4,714,296	305,249	4,409,047
Parks and recreation	7,381	7,567	7,567	-
Library	2,151	3,168	3,167	1
<b>Total expenditures</b>	<b>4,013,560</b>	<b>8,884,284</b>	<b>1,317,484</b>	<b>7,566,800</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>613,120</b>	<b>497,377</b>	<b>(153,818)</b>	<b>(651,195)</b>
<b>Net change in fund balance</b>	<b>\$ 613,120</b>	<b>\$ 497,377</b>	<b>(153,818)</b>	<b>\$ (651,195)</b>
<b>FUND BALANCE:</b>				
Beginning of year			4,687,959	
End of year			<b>\$ 4,534,141</b>	

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## SUPPLEMENTARY INFORMATION

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**City of Calimesa**  
**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenues Funds			
	Supplemental Law Enforcement Grant	Housing Rehab- State	Library	Transportation Air Quality Improvements
<b>Assets</b>				
Cash and investments	\$ 54,718	\$ 138,571	\$ 294,780	\$ 48,321
Receivables:				
Accounts	-	-	-	-
Intergovernmental	25,000	-	-	2,844
Loans	-	582,304	-	-
<b>Total Assets</b>	<b>\$ 79,718</b>	<b>\$ 720,875</b>	<b>\$ 294,780</b>	<b>\$ 51,165</b>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 47,690	\$ -	\$ 2,179	\$ -
Unearned revenues	-	-	30,926	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>47,690</b>	<b>-</b>	<b>33,105</b>	<b>-</b>
Deferred Inflow of Resources:				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balance:				
Restricted	32,028	720,875	261,675	51,165
Assigned	-	-	-	-
<b>Total Fund Balance</b>	<b>32,028</b>	<b>720,875</b>	<b>261,675</b>	<b>51,165</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balance</b>	<b>\$ 79,718</b>	<b>\$ 720,875</b>	<b>\$ 294,780</b>	<b>\$ 51,165</b>

Special Revenues Funds							Capital Projects General Capital Projects Fund	Total Nonmajor Governmental Funds
Gas Tax	Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Park & Rec	Road Maintenance and Rehab			
\$ -	\$ 16,087	\$ 24,680	\$ -	\$ -	\$ 32,462	\$ 45,129	\$ 654,748	
-	3,864	-	-	-	18,306	-	22,170	
15,793	-	-	301,561	-	-	-	345,198	
-	-	-	-	-	-	-	582,304	
<u>\$ 15,793</u>	<u>\$ 19,951</u>	<u>\$ 24,680</u>	<u>\$ 301,561</u>	<u>\$ -</u>	<u>\$ 50,768</u>	<u>\$ 45,129</u>	<u>\$ 1,604,420</u>	
\$ 4,616	\$ 4,065	\$ -	\$ 55,721	\$ -	\$ -	\$ 11,799	\$ 126,070	
-	-	-	-	-	-	-	30,926	
7,427	-	-	134,958	-	-	-	142,385	
<u>12,043</u>	<u>4,065</u>	<u>-</u>	<u>190,679</u>	<u>-</u>	<u>-</u>	<u>11,799</u>	<u>299,381</u>	
-	881	-	-	-	-	-	881	
-	881	-	-	-	-	-	881	
3,750	15,005	24,680	110,882	-	50,768	-	1,270,828	
-	-	-	-	-	-	33,330	33,330	
<u>3,750</u>	<u>15,005</u>	<u>24,680</u>	<u>110,882</u>	<u>-</u>	<u>50,768</u>	<u>33,330</u>	<u>1,304,158</u>	
<u>\$ 15,793</u>	<u>\$ 19,951</u>	<u>\$ 24,680</u>	<u>\$ 301,561</u>	<u>\$ -</u>	<u>\$ 50,768</u>	<u>\$ 45,129</u>	<u>\$ 1,604,420</u>	

# City of Calimesa

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

### Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Special Revenues Funds			
	Supplemental Law Enforcement Grant	Housing Rehab-State	Library	Transportation Air Quality Improvements
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	156,083	2,375	-	10,882
Investment earnings	506	1,218	3,728	560
Other	-	-	-	-
<b>Total Revenues</b>	<b>156,589</b>	<b>3,593</b>	<b>3,728</b>	<b>11,442</b>
<b>Expenditures</b>				
Current:				
Public safety	141,838	-	-	-
Public works	-	2,375	-	-
Community services and development	-	-	-	3,555
Library	-	-	19,953	-
<b>Total Expenditures</b>	<b>141,838</b>	<b>2,375</b>	<b>19,953</b>	<b>3,555</b>
Excess (Deficit) of Revenues Over Expenditures	14,751	1,218	(16,225)	7,887
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 4)	8,000	-	-	-
Transfers out (Note 4)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balance	22,751	1,218	(16,225)	7,887
<b>Fund Balance - Beginning of year, as restated</b>	<b>9,277</b>	<b>719,657</b>	<b>277,900</b>	<b>43,278</b>
<b>Fund Balance - End of year</b>	<b>\$ 32,028</b>	<b>\$ 720,875</b>	<b>\$ 261,675</b>	<b>\$ 51,165</b>

Special Revenues Funds						Capital Projects General Capital Projects Fund	Total Nonmajor Governmental Funds
Gas Tax	Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Park & Rec	Road Maintenance and Rehab		
\$ -	\$ 87,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,433
186,589	-	5,000	286,854	-	50,608	-	698,391
78	60	319	-	476	-	512	7,457
-	-	-	-	-	160	-	160
186,667	87,493	5,319	286,854	476	50,768	512	793,441
-	41,561	-	-	-	-	-	183,399
182,917	100,378	5,806	175,973	-	-	11,798	479,247
-	-	-	-	-	-	-	3,555
-	-	-	-	-	-	-	19,953
182,917	141,939	5,806	175,973	-	-	11,798	686,154
3,750	(54,446)	(487)	110,881	476	50,768	(11,286)	107,287
-	69,000	-	-	-	-	5,000	82,000
-	-	-	-	(44,601)	-	-	(44,601)
-	69,000	-	-	(44,601)	-	5,000	37,399
3,750	14,554	(487)	110,881	(44,125)	50,768	(6,286)	144,686
-	451	25,167	1	44,125	-	39,616	1,159,472
\$ 3,750	\$ 15,005	\$ 24,680	\$ 110,882	\$ -	\$ 50,768	\$ 33,330	\$ 1,304,158

**City of Calimesa**

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

**Special Law Enforcement Grant Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 120,000	\$ 131,000	\$ 156,083	\$ 25,083
Interest Income	150	300	506	206
<b>Total revenues</b>	<b>120,150</b>	<b>131,300</b>	<b>156,589</b>	<b>25,289</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	142,813	136,584	141,838	(5,254)
<b>Total expenditures</b>	<b>142,813</b>	<b>136,584</b>	<b>141,838</b>	<b>(5,254)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(22,663)</b>	<b>(5,284)</b>	<b>14,751</b>	<b>20,035</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	16,000	8,000	8,000	-
<b>Total other financing sources (uses)</b>	<b>16,000</b>	<b>8,000</b>	<b>8,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (6,663)</b>	<b>\$ 2,716</b>	<b>22,751</b>	<b>\$ 20,035</b>
<b>FUND BALANCE:</b>				
Beginning of year			9,277	
End of year			<b>\$ 32,028</b>	

**City of Calimesa**

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

**Housing Rehab - State**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 500,312	\$ 2,375	\$ (497,937)
Interest Income	-	-	1,218	1,218
<b>Total revenues</b>	-	500,312	3,593	(496,719)
<b>EXPENDITURES:</b>				
Current:				
Public works	-	500,312	2,375	497,937
<b>Total expenditures</b>	-	500,312	2,375	497,937
<b>Net change in fund balance</b>	\$ -	\$ -	1,218	\$ 1,218
<b>FUND BALANCE:</b>				
Beginning of year			719,657	
End of year			\$ 720,875	

**City of Calimesa**

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

**Library Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Interest Income	1,650	1,650	3,728	2,078
Other	-	4,275	-	(4,275)
<b>Total revenues</b>	<u>26,650</u>	<u>30,925</u>	<u>3,728</u>	<u>(27,197)</u>
<b>EXPENDITURES:</b>				
Current:				
Library	26,103	26,103	19,953	6,150
<b>Total expenditures</b>	<u>26,103</u>	<u>26,103</u>	<u>19,953</u>	<u>6,150</u>
<b>Net change in fund balance</b>	<u>\$ 547</u>	<u>\$ 4,822</u>	<u>(16,225)</u>	<u>\$ (21,047)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>277,900</u>	
End of year			<u>\$ 261,675</u>	

**City of Calimesa**

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

**Transportation Air Quality Improvement Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 9,700	\$ 10,100	\$ 10,882	\$ 782
Interest income	200	200	560	360
<b>Total revenues</b>	<b>9,900</b>	<b>10,300</b>	<b>11,442</b>	<b>1,142</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	3,555	3,555	3,555	-
<b>Total expenditures</b>	<b>3,555</b>	<b>3,555</b>	<b>3,555</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,345</b>	<b>6,745</b>	<b>7,887</b>	<b>1,142</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(18,550)	-	18,550
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(18,550)</b>	<b>-</b>	<b>18,550</b>
<b>Net change in fund balance</b>	<b>\$ 6,345</b>	<b>\$ (11,805)</b>	<b>7,887</b>	<b>\$ 19,692</b>
<b>FUND BALANCE:</b>				
Beginning of year			43,278	
End of year			<b>\$ 51,165</b>	

**City of Calimesa**

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

**Gas Tax Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 179,502	\$ 180,707	\$ 186,589	\$ 5,882
Interest Income	150	50	78	28
<b>Total revenues</b>	<u>179,652</u>	<u>180,757</u>	<u>186,667</u>	<u>5,910</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	189,144	183,572	182,917	655
<b>Total expenditures</b>	<u>189,144</u>	<u>183,572</u>	<u>182,917</u>	<u>655</u>
<b>Net change in fund balance</b>	<u>\$ (9,492)</u>	<u>\$ (2,815)</u>	3,750	<u>\$ 6,565</u>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			<u>\$ 3,750</u>	

**City of Calimesa**

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

**Lighting/Landscape District Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 80,000	\$ 80,000	\$ 87,433	\$ 7,433
Interest income	-	-	60	60
<b>Total revenues</b>	<b>80,000</b>	<b>80,000</b>	<b>87,493</b>	<b>7,493</b>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	45,500	46,100	41,561	4,539
Public works	104,251	103,270	100,378	2,892
<b>Total expenditures</b>	<b>149,751</b>	<b>149,370</b>	<b>141,939</b>	<b>7,431</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(69,751)</b>	<b>(69,370)</b>	<b>(54,446)</b>	<b>14,924</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	69,000	69,000	69,000	-
<b>Total other financing sources (uses)</b>	<b>69,000</b>	<b>69,000</b>	<b>69,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (751)</b>	<b>\$ (370)</b>	<b>14,554</b>	<b>\$ 14,924</b>
<b>FUND BALANCE:</b>				
Beginning of year			451	
End of year			<b>\$ 15,005</b>	

**City of Calimesa**

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

**Recycling Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Interest Income	140	140	319	179
<b>Total revenues</b>	<b>5,140</b>	<b>5,140</b>	<b>5,319</b>	<b>179</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	5,806	5,806	-
<b>Total expenditures</b>	<b>-</b>	<b>5,806</b>	<b>5,806</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,140</b>	<b>(666)</b>	<b>(487)</b>	<b>179</b>
<b>Net change in fund balance</b>	<b>\$ 5,140</b>	<b>\$ (666)</b>	<b>(487)</b>	<b>\$ 179</b>
<b>FUND BALANCE:</b>				
Beginning of year			\$ 25,167	
End of year			<u>24,680</u>	

**City of Calimesa**

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

**Housing Rehab - Federal**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 474,668	\$ 286,854	\$ (187,814)
<b>Total revenues</b>	<u>-</u>	<u>474,668</u>	<u>286,854</u>	<u>(187,814)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	474,668	175,973	298,695
<b>Total expenditures</b>	<u>-</u>	<u>474,668</u>	<u>175,973</u>	<u>298,695</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>110,881</u>	<u>110,881</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>110,881</u>	<u>\$ 110,881</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>1</u>	
End of year			<u>\$ 110,882</u>	

**City of Calimesa**

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

**Parks and Recreation Grant Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment Earning	\$ -	\$ 476	\$ 476	\$ -
<b>Total revenues</b>	<u>-</u>	<u>476</u>	<u>476</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>476</u>	<u>476</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	(44,601)	(44,601)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(44,601)</u>	<u>(44,601)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 476</u>	<u>(44,125)</u>	<u>\$ -</u>
<b>FUND BALANCE:</b>				
Beginning of year			44,125	
End of year			<u>\$ -</u>	

**City of Calimesa**

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

**Road Maintenance and Rehab Special Revenue Fund**

**For the year ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 46,834	\$ 49,258	\$ 50,608	\$ 1,350
Charges for services	-	-	-	-
Interest Income	-	-	160	160
<b>Total revenues</b>	<u>46,834</u>	<u>49,258</u>	<u>50,768</u>	<u>1,510</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>46,834</u>	<u>49,258</u>	<u>50,768</u>	<u>1,510</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ 46,834</u>	<u>\$ 49,258</u>	<u>50,768</u>	<u>\$ 1,510</u>
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			<u>\$ 50,768</u>	

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Calimesa, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Calimesa, California's basic financial statements, and have issued our report thereon dated December 20, 2018.

**Internal Control over Financial Reporting**

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

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

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

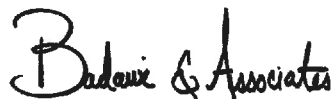
The Honorable Mayor and Members of the City Council  
of the City of Calimesa  
Calimesa, California  
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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Badawi and Associates  
Certified Public Accountants  
Oakland, California  
December 20, 2018