

City of Calimesa

Calimesa, California

*Annual Audit Report and Financial
Statements*

For the year ended June 30, 2017

City of Calimesa
Annual Audit Report and Financial Statements
For the year ended June 30, 2017

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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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Calimesa, California (City), as of and for the year ended June 30, 2017, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 60-64 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 introductory section, the combining and individual nonmajor fund financial statements, and statistical section 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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 27, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

Badawi and Associates
Certified Public Accountants
Oakland, CA
December 27, 2017

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City of Calimesa

Management's Discussion and Analysis

For the year ended June 30, 2017

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, 2017. 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, 2017, the City assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$23.3 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 \$1.0 million.
- At June 30, 2017, the City's governmental funds reported combined ending fund balance of \$8.0 million, an increase of \$0.6 million compared to prior fiscal year.
- The City's General Fund balance increased by \$46,692 during fiscal year 2017.

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, 2017

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 13 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, 2017

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, 2016 and 2017.

	Governmental Activities	
	2017	2016
Assets:		
Cash and investments	\$ 8,114,921	\$ 7,752,775
Other assets	1,648,602	1,676,464
Capital assets, net	15,933,371	15,665,567
Total Assets	<u>25,696,894</u>	<u>25,094,806</u>
Deferred Outflows of Resources		
Deferred outflow - contribution	90,337	82,408
Deferred outflow - pension related amounts	159,789	7,565
Total Deferred Outflows of Resources	<u>250,126</u>	<u>89,973</u>
Liabilities:		
Long-term liabilities	795,611	755,470
Other liabilities	1,716,131	2,003,182
Total Liabilities	<u>2,511,742</u>	<u>2,758,652</u>
Deferred Inflows of Resources		
Deferred inflow - pension related amounts	96,661	158,280
Total Deferred Inflows of Resources	<u>96,661</u>	<u>158,280</u>
Net Assets:		
Net Investment in Capital Assets	15,933,371	15,665,567
Restricted	6,401,225	5,906,227
Unrestricted	1,004,021	696,053
Total Net Position	<u>\$ 23,338,617</u>	<u>\$ 22,267,847</u>

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2017

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 \$23.3 million. This is an increase of \$1.0 million or 4.8% over the prior fiscal year. The reasons of 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, \$15.9 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 no debt outstanding with relation to capital assets.

Another portion of the City's Net Position, \$6.4 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 \$1.0 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 \$362,146.

The following table shows the condensed comparative Statements of Activities and Changes in Net Position for the fiscal years ended June 30, 2017 and 2016.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2017

Comparative Statements of Activities and Changes in Net Position
June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 794,189	\$ 863,485
Operating grants and contributions	545,996	615,938
Capital grants and contributions	1,688,371	2,119,406
Total program revenues	3,028,556	3,598,829
General revenues:		
Taxes:		
General property taxes	2,347,976	2,243,056
Sales tax	753,633	600,320
Motor vehicle in-lieu	765,199	709,623
Franchise fees	354,735	350,353
Transient occupancy tax	52,369	43,828
Business Licenses	41,885	36,690
Use of money and property	48,483	23,289
Miscellaneous	59,764	56,284
Total general revenues	4,424,044	4,063,443
Total Revenues	7,452,600	7,662,272
Expenses:		
General government	1,087,316	964,261
Public safety	3,237,643	2,951,680
Public works	1,172,678	1,151,888
Community development	856,702	806,188
Parks and recreation	208,005	156,231
Library	30,716	19,533
Total Expenses	6,593,060	6,049,781
Increase (decrease) in net sssets	859,540	1,612,491
Prior Period Adjustments	211,230	749,007
Net assets - beginning	22,267,847	19,906,349
Net assets - ending	\$ 23,338,617	\$ 22,267,847

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The City's expenses totaled \$6.6 million in fiscal year 2017. These expenses were more than offset by program revenues of \$3.0 million and general revenues of \$4.4 million. This, including prior period adjustments totaling \$211,230, resulted in an increase in Net Position of \$1.0 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 \$431,035 because of one-time capital grant revenue related to a Caltrans funded Safe Routes to School project that was completed in fiscal year 2015-16; the effects of which are partially offset by an increase in development mitigation fees collected in 2016-17.

General Revenues - The overall increase from the prior year is 8.9%. This is mainly due to a 4.7% increase in property taxes, as well as a steady increase in sales tax, motor vehicle-lieu, franchise fees, transient occupancy tax and business license revenue. In addition, investment earnings increased by 108%, or \$ 25,194. Although the dollar amount may not significantly contribute to the overall increase of \$ 360,601 in this category, 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 \$543,279, or 9.0%. The increase is spread over every expense category to varying degrees. The main areas include public safety contract cost increases of \$285,963, in addition to general government increasing by \$123,100 mainly due to a long and difficult mobile home rent review issue. The balance of the change is the result of inflationary increases in all other categories combined.

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, 2017, the City's combined governmental fund balances were \$8.0 million, an increase of \$0.55 million, or 87.4%, over the prior fiscal year. Of this amount, approximately \$6.2 million represents restricted fund balance and \$0.13 million represents assigned fund balance.

Governmental revenues in fiscal year 2017 were \$7.4 million. This was a decrease of \$351,238 from fiscal year 2016. Although there was a decrease in overall revenue due to a decline in one-time grant funding for the Safe Routes to School project completed in 2015-16, all other revenues experienced an overall increase.

Governmental expenditures in fiscal year 2017 were \$6.9 million, a decrease of \$637,016 from the prior fiscal year. The net decrease is primarily due to a reduction in Public Works due to expenditures on the Safe Routes to School project in 2015-16 more than offsetting the increases in public safety contract costs and general government costs in 2016-17 as noted earlier.

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2017

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, 2017, the assigned fund balance of the General Fund was \$93,808, while total fund balance was \$1,527,702. The unassigned balance of \$1,427,635 represents an operating reserve (when compared to expenditures) of 28%. This is well in excess of the 10% City Council policy.

The total fund balance of the City's General Fund increased by \$46,692 when compared to fiscal year 2016. Revenues exceeded expenditures by \$106,142, while other financing sources resulted in a decrease of \$59,450. Revenues increased by \$215,175 and expenditures increased by \$269,938 from the prior year. The increase in revenues was primarily due to an increase in taxes of 7.4%, as well as fluctuations in other revenue categories. The 5.7% increase in overall expenditures was mainly due to an increase in Public Safety costs. It should be noted that the City's police and fire service contracts have continually increased over the past several years. 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 \$772,997, while expenditures decreased by \$961,655. 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 \$771,806 in 2017 is well within expected parameters as development has been steadily increasing, but the expenditures have remained relatively constant.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2017

The General Fund revenue budget for fiscal year 2017 was amended during the year by \$181,113 in an effort to capture actual operating results in various revenue categories. The expenditure budgets were also amended to account for unanticipated costs of \$358,457, a majority of which related to Fire Services. Actual expenditures for the fiscal year were \$247,167 under the amended budget mainly due to an unanticipated savings in fire contract costs and legal expenses. Actual revenues were \$90,036 higher the final amended budget due primarily to an increase in taxes and development related fees.

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, 2017, the City's capital assets used in governmental activities amounted to \$15.9 million, net of depreciation.

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

	Governmental Activities	
	2017	2016
Land	\$1,918,401	\$1,918,401
Construction in Progress	\$652,579	\$1,469,827
Buildings and Improvements	\$4,157,734	\$4,157,734
Infrastructure:		
Road Network	\$12,468,088	\$10,887,699
Equipment	\$538,368	\$483,642
Capital assets before depreciation	<u>\$19,735,170</u>	<u>\$18,917,303</u>
Less: accumulated depreciation (excludes land)	<u>(\$3,801,799)</u>	<u>(\$3,251,736)</u>
Total net capital assets	<u>\$15,933,371</u>	<u>\$15,665,567</u>

Additional information on capital assets can be found in Note 5 to the Basic Financial Statements.

Long-term Obligations

At June 30, 2017, the City had long-term debt outstanding of \$111,679 compared to \$300,784 in the prior year. The main difference was related to a change in reporting of the Loan - City of Beaumont. Also see Note 10 to the Basic Financial Statements. The City's long-term debt obligations at June 30, 2017 and 2016 were as follows:

	Governmental Activities	
	2017	2016
Loan - City of Beaumont	\$ -	\$ 211,230
Compensated Absences	<u>\$ 111,679</u>	<u>\$ 89,554</u>
Total	<u>\$ 111,679</u>	<u>\$ 300,784</u>

City of Calimesa
Management's Discussion and Analysis
For the year ended June 30, 2017

Not included in the above total outstanding debt amount is the Successor Agency Trust. At June 30, 2017, there was \$2,665,000 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 2017-18 recognized that:

- Over the past couple of years, the City's primary revenues have experienced slow but steady growth. However, the cost of certain key City services, namely Public Safety, has created significant challenges in meeting current service levels.
- The adopted FY 2017/18 budget projected an approximate 14% General Fund reserve level, which is a decrease over the prior year, but exceeds the Council approved policy of 10%. It should be noted that actual operating results as reflected in the Basic Financial Statements will increase that projection due to an increase in beginning fund balance, as opposed to the reduction in fund balance previously projected.
- The City will be transitioning from a contract Fire Department to an in-house Fire Department in an effort to control and reduce costs, as the cost of the current contract is unsustainable.
- The City is focused on proactive economic development in order to build its tax base.
- 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

City of Calimesa
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 8,114,921
Receivables:	
Taxes	396,329
Interest	18,070
Due from the Successor Agency	73,621
Due from other governments	468,953
Prepaid expenses	6,259
Note Receivable	685,370
Capital assets not being depreciated (Note 5)	2,570,980
Capital assets being depreciated, net (Note 5)	13,362,391
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Total Assets	25,696,894
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Deferred Outflows of Resources	
Deferred outflow - pension contribution	90,337
Deferred outflow - pension related amounts	159,789
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Total Deferred Outflows of Resources	250,126
	<hr/>
Liabilities	
Accounts payable and accrued liabilities	880,193
Accrued Payroll	18,745
Deposits	785,322
Unearned Revenue	31,871
Noncurrent liabilities:	
Due within one year	25,167
Due in more than one year	86,512
Net pension liability	683,932
	<hr/>
Total Liabilities	2,511,742
	<hr/>
Deferred Inflows of Resources	
Deferred inflows - pension related amounts	96,661
	<hr/>
Total Deferred Inflows of Resources	96,661
	<hr/>
Net Position	
Invested in capital assets (Note 5)	15,933,371
Restricted:	
Legally restricted - Street and Road Improvements	566,865
Regulatory/grant restrictions	1,146,401
Legally restricted - Dev. Impact fees	4,687,959
Unrestricted	1,004,021
	<hr/>
Total Net Position	\$ 23,338,617
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See accompanying Notes to Basic Financial Statements.

City of Calimesa
Statement of Activities
For the year ended June 30, 2017

Functions/Programs:	Expenses	Program Revenues			Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
						Governmental Activities
Primary Government:						
Governmental activities:						
General government	\$ 1,087,316	\$ 191,764	\$ 81,851	\$ -	\$ 273,615	\$ (813,701)
Public safety	3,237,643	34,175	120,990	-	155,165	(3,082,478)
Public works	1,172,678	185,194	237,145	1,688,371	2,110,710	938,032
Community services and development	856,702	383,056	47,617	-	430,673	(426,029)
Parks and recreation	208,005	-	-	-	-	(208,005)
Library	30,716	-	58,393	-	58,393	27,677
Total governmental activities	<u>\$ 6,593,060</u>	<u>\$ 794,189</u>	<u>\$ 545,996</u>	<u>\$ 1,688,371</u>	<u>\$ 3,028,556</u>	<u>(3,564,504)</u>

General Revenues:

Taxes:	
Property	2,347,976
Sales tax	753,633
Motor vehicle in-lieu	765,199
Franchise fees	354,735
Transient occupancy taxes	52,369
Busines Licenses	41,885
Total Taxes	<u>4,315,797</u>
Unrestricted investment earnings	48,483
Other	59,764
Total general revenues	<u>4,424,044</u>
Change in net position	859,540
Net position - beginning of year	22,267,847
Prior Period Adjustments	211,230
Net position - beginning of year, as restated	<u>22,479,077</u>
Net position - end of year	<u>\$ 23,338,617</u>

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

Mitigation Fees Special Revenue Fund accounts for various sources of development related revenue including facilities fees, traffic fees, and park acquisition 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, 2017

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
Assets			
Cash and investments	\$ 2,661,441	\$ 370,775	\$ 4,561,612
Receivables:			
Taxes	374,071	-	-
Intergovernmental		210,179	209,488
Interest	18,070	-	-
Loans	-	-	-
Prepaid expenses	6,259	-	-
Due from other funds	24,814	-	-
Due from the Successor Agency	73,621	-	-
Total Assets	\$ 3,158,276	\$ 580,954	\$ 4,771,100
Liabilities, Deferred Inflow of Resources, and Fund Balance			
Liabilities:			
Accounts payable	745,151	14,089	83,141
Accrued Payroll	18,745	-	-
Unearned revenues	3,547	-	-
Due to other funds	-	-	-
Deposits	785,322	-	-
Total Liabilities	1,552,765	14,089	83,141
Deferred Inflow of Resources:			
Unavailable revenues	77,809	-	-
Total Deferred Inflow of Resources	77,809	-	-
Fund Balance:			
Nonspendable	6,259	-	-
Restricted	-	566,865	4,687,959
Assigned	93,808	-	-
Unassigned	1,427,635	-	-
Total Fund Balance	1,527,702	566,865	4,687,959
Total Liabilities, Deferred Inflow of Resources and Fund Balance	\$ 3,158,276	\$ 580,954	\$ 4,771,100

See accompanying Notes to Basic Financial Statements.

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 521,093	\$ 8,114,921
22,258	396,329
49,286	468,953
-	18,070
685,370	685,370
-	6,259
-	24,814
-	73,621
<u>\$ 1,278,007</u>	<u>\$ 9,788,337</u>
37,812	880,193
-	18,745
28,324	31,871
24,814	24,814
-	785,322
<u>90,950</u>	<u>1,740,945</u>
1,040	78,849
1,040	78,849
-	6,259
1,146,401	6,401,225
39,616	133,424
-	1,427,635
<u>1,186,017</u>	<u>7,968,543</u>
<u>\$ 1,278,007</u>	<u>\$ 9,788,337</u>

City of Calimesa
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balance - Governmental Funds \$ 7,968,543

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. 15,933,371

Revenues in the statement of activities that do not provide current financial resources are classified as Deferred Inflows of Resources in the funds. 78,849

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. 90,337

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. 63,128

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (795,611)

Net position of governmental activities \$ 23,338,617

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City of Calimesa
Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

	Major Funds		
	General	Measure A Special Revenue	Mitigation Fees Special Revenue
Revenues			
Taxes	\$ 4,153,355	\$ -	\$ -
Licenses and permits	424,941	-	-
Fines and forfeitures	34,175	-	-
Intergovernmental	76,851	192,946	70,435
Charges for services	191,764	-	-
Development fees	185,194	-	1,495,425
Investment earnings	13,387	2,970	28,687
Other	53,704	-	-
Total Revenues	5,133,371	195,916	1,594,547
Expenditures			
Current:			
General government	1,078,879	-	7,313
Public safety	3,053,397	-	10,218
Public works	329,242	459,391	396,062
Community services and development	440,638	-	394,050
Parks and recreation	125,073	-	8,454
Library	-	-	6,644
Total Expenditures	5,027,229	459,391	822,741
Excess of Revenues Over Expenditures	106,142	(263,475)	771,806
Other Financing Sources (Uses)			
Transfers in	18,550	-	-
Transfers out	(78,000)	-	-
Total Other Financing Sources (Uses)	(59,450)	-	-
Net Change in Fund Balance	46,692	(263,475)	771,806
Fund Balance - Beginning of year, restated	1,481,010	830,340	3,916,153
Fund Balance - End of year	\$ 1,527,702	\$ 566,865	\$ 4,687,959

See accompanying Notes to Basic Financial Statements.

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 78,759	\$ 4,232,114
-	424,941
-	34,175
398,710	738,942
-	191,764
-	1,680,619
3,439	48,483
6,060	59,764
486,968	7,410,802
-	1,086,192
166,573	3,230,188
359,180	1,543,875
3,555	838,243
1,134	134,661
24,072	30,716
554,514	6,863,875
(67,546)	546,927
78,000	96,550
(18,550)	(96,550)
59,450	-
(8,096)	546,927
1,194,113	7,421,616
\$ 1,186,017	\$ 7,968,543

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, 2017

Net change in fund balance - governmental funds (page 29) \$ 546,927

Amounts reported for governmental activities in the statements of activities (page 20) 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. 817,867

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. (550,063)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 41,798

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. 90,337

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (65,201)

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

(22,125)

Change in net position of governmental activities **\$ 859,540**

See accompanying Notes to Basic Financial Statements.

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, 2017

	Community Facilities Districts	Successor Agency Trust Fund
Assets		
Cash and investments	\$ 695,094	\$ -
Cash and investments with fiscal agent - restricted	3,768,619	202,287
Receivables:		
Taxes	2,856	-
Total Assets	4,466,569	202,287
Deferred outflows of resources		
Deferred loss on refunding	-	96,284
Total deferred outflows of resources	-	96,284
Liabilities		
Accounts payable and accrued liabilities	5,076	2,305
Deposits	8,540	-
Due to City of Calimesa		73,621
Due to bondholders	4,452,953	-
Noncurrent liabilities:		
Due within one year	-	100,000
Due in more than one year	-	2,597,988
Total Liabilities	\$ 4,466,569	2,773,914
Net Position		
Unrestricted		(2,475,343)
Net Position		\$ (2,475,343)

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, 2017

	<u>Successor Agency Trust Fund</u>
Additions	
Intergovernmental revenue	\$ 304,546
Investment earnings	899
Total additions	<u>305,445</u>
Deductions	
Administration	110,544
Interest	102,053
Total deductions	<u>212,597</u>
Change in Net Position	92,848
Net Position - beginning	<u>(2,568,191)</u>
Net Position - ending	<u><u>\$ (2,475,343)</u></u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Calimesa
Notes to Basic Financial Statements
For the year ended June 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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 a memorandum of understanding. 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, 2017

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 a memorandum of understanding. 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, 2017

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, 2017

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 financial position will sometimes report a separate section for deferred outflows of resources. This 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. The City reports deferred employer pension contributions as deferred outflows of resources in addition to certain changes in the City's net pension liability that are required to be deferred and reflected in pension expense over a closed amortization period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This 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. The City reports two items in this category, unavailable revenues and amounts related to changes in the City's net pension liability that are deferred and amortized over a stated number of years.

Unavailable revenue arises only under a modified accrual basis of accounting and accordingly is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property tax revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. New Pronouncements

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement were not applicable to the City.
- GASB Statement No. 77, *Tax Abatement Disclosures*- This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. There was no impact the net position as a result of implementation of this statement.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the City.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the City.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows.

Statement of net positions:	
Cash and investments	\$ 8,114,921
Fiduciary funds:	
Cash and investments	695,094
Cash and investments with fiscal agent-restricted	<u>3,970,906</u>
Total cash and investments	<u><u>\$ 12,780,921</u></u>
Pooled deposits:	
Demand deposits	\$ 4,649,357
Petty cash	400
Investments	<u>8,131,164</u>
Total cash and investments	<u><u>\$ 12,780,921</u></u>

A. Deposits

The carrying amount of the City's cash deposit was \$4,649,357 at June 30, 2017. Bank balances before reconciling items were \$4,692,921 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

B. Investments

Authorized investments

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

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

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

<u>Authorization investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage allowed</u>	<u>Maximum investment in one issuer</u>
U.S. Treasury Obligations	5 years	None	None
Local Agency Investment Fund	5 years	None	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*.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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

Interest rate risk

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

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

Investment type	Totals	Remaining maturity 12 month or less
Local Agency Investment Fund	\$ 8,131,164	\$ 8,131,164
Held by bond trustee:		
Morgan Stanley Prime Instl	202,287	202,287
Total investments	\$ 8,333,451	\$ 8,333,451

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:

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Credit risk/pooled cash

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

Disclosures relating to credit risk

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

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

Investment type	Amount	Minimum legal rating	Ratings at fiscal year end	
			AAAm/Aaa	Not Rated
Local Agency Investment Fund	\$ 8,131,164	N/A		\$ 8,131,164
Held by bond trustee:				
Morgan Stanley Prime Instl	202,287	N/A	202,287	
Total investments	<u>\$ 8,333,451</u>		<u>\$ 202,287</u>	<u>\$ 8,131,164</u>

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, 2017 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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, 2017, the City had \$8,131,164 invested in LAIF, which had 2.89% 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 0.998940671 to the total investments held by LAIF.

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:	24,814	24,814
	Total	\$ 24,814	\$ 24,814

The composition of interfund balances as of June 30, 2017, is as follows:

		Transfers In		
		General Fund	Non Major Governmental Funds	
		Total		
Transfers Out	General Fund	\$ -	\$ 78,000	\$ 78,000
	Nonmajor Governmental	18,550	-	18,550
	Total	\$ 18,550	\$ 78,000	\$ 96,550

The most significant transfer which occurred was: \$78,000 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, 2017

4. CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2017 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,918,401	\$ -	\$ -	\$ 1,918,401
Construction in progress	1,469,827	763,141	1,580,389	652,579
Total capital assets not being depreciated	<u>3,388,228</u>	<u>763,141</u>	<u>1,580,389</u>	<u>2,570,980</u>
Capital assets being depreciated:				
Building and improvements	4,157,734	-	-	4,157,734
Machinery and equipment	483,642	54,726	-	538,368
Road network	10,887,699	1,580,389	-	12,468,088
Total capital assets being depreciated	<u>15,529,075</u>	<u>1,635,115</u>	<u>-</u>	<u>17,164,190</u>
Less accumulated depreciation for:				
Buildings and improvements	(728,686)	(103,943)	-	(832,629)
Machinery and equipment	(474,742)	(12,887)	-	(487,629)
Road network	(2,048,308)	(433,233)	-	(2,481,541)
Total accumulated depreciation	<u>(3,251,736)</u>	<u>(550,063)</u>	<u>-</u>	<u>(3,801,799)</u>
Total capital assets, being depreciated, net	<u>12,277,339</u>	<u>1,085,052</u>	<u>-</u>	<u>13,362,391</u>
Governmental activities capital assets, net	<u>\$ 15,665,567</u>	<u>\$ 1,848,193</u>	<u>\$ 1,580,389</u>	<u>\$ 15,933,371</u>

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

General government	\$ 4,135
Public safety	7,455
Public works	446,670
Community services and development	18,459
Parks and recreation	73,344
Total depreciation expense - governmental activities	<u>\$ 550,063</u>

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

5. LONG-TERM LIABILITIES

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2017:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Compensated Absences	\$ 89,554	\$ 68,724	\$ 46,599	\$ 111,679	\$ 25,167

Compensated absences

For the governmental funds, accumulated vacation, and compensatory time payable, excluding the current portion of \$25,167 at June 30, 2017, was \$86,512. 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.

6. EMPLOYEE RETIREMENT PLANS

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 two rate plans (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.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

6. EMPLOYEE RETIREMENT PLANS, Continued

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52-62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.61%	6.25%
Required employer dollar UAL payment (annual)	\$40,702	N/A

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, 2017, the contributions recognized against net pension liability for the Plan were as follows:

Contributions - employer	\$	82,408
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C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of \$683,932.

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, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 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.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

6. EMPLOYEE RETIREMENT PLANS, Continued

The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.007100%
Proportion - June 30, 2016	0.007900%
Change - Increase (Decrease)	<u>0.000800%</u>

For the year ended June 30, 2017, the City recognized pension expense of \$65,201. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 90,337	\$ -
Changes of assumptions	-	27,978
Differences between expected and actual experience	2,957	678
Changes in employer's proportion	10,117	53,338
Differences between the employer's contribution and the employer's proportionate share of contributions	1,100	14,667
Net differences between projected and actual earnings on plan investments	<u>145,615</u>	
Total	<u>\$ 250,126</u>	<u>\$ 96,661</u>

\$90,337 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, 2017.

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	
<u>Ending June 30:</u>	
2018	\$ (23,659)
2019	(15,178)
2020	64,249
2021	37,716
Thereafter	-

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

6. EMPLOYEE RETIREMENT PLANS, Continued

Actuarial Assumptions - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.65%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2015 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 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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.

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.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

6. EMPLOYEE RETIREMENT PLANS, Continued

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	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -
The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District'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		6.65%
Net Pension Liability	\$	1,146,612
Current Discount Rate		7.65%
Net Pension Liability	\$	683,932
1% Increase		8.65%
Net Pension Liability	\$	301,550

D. Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$2,041 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

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. 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.

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

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.

The following is a summary of the changes in bonds payable in the Successor Agency Trust Fund for the fiscal year ended June 30, 2017:

Description	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds					
2014 Series bonds, Refunding	\$ 2,765,000	\$ -	\$ (100,000)	\$ 2,665,000	\$ 100,000
Deferred amounts					
For issuance premium, relating to 2014 bonds	35,951	-	(2,963)	32,988	-
Total Bonds	\$ 2,800,951	\$ -	\$ (102,963)	\$ 2,697,988	\$ 100,000

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

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

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, 2017, the amount held in the reserve account was \$202,287 which was fully funded. The bonds are payable from and equally and ratably secured by a first pledge of Revenues consisting primarily of certain property tax revenues to be derived from the Project Areas.

Pledged revenues

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

10. COMMITMENTS AND CONTINGENCIES

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2017

11. PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment to remove the Beaumont loan payable previously recorded in prior years. The preferable accounting treatment requires note disclosures only (see Note 10).

	Net Position, as Previously Reported	Beaumont Loan	Net Position, as Restated
Government-Wide Statements			
Governmental Activities	\$ 22,267,847	\$ 211,230	\$ 22,479,077

12. SUBSEQUENT EVENT

On October 16, 2017, the City entered into a lease agreement in the amount of \$411,840 with the Municipal Finance Corporation to finance the acquisition of a fire engine. The lease will be paid off in 10 annual installment payments.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Calimesa
Notes to the Required Supplementary Information, Continued
For the year ended June 30, 2017

1. DEFINED BENEFIT PENSION PLAN

Last of 10 Years*
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

Notes to Schedule:

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

Last of 10 Years*
SCHEDULE OF THE CITY'S CONTRIBUTIONS

Fiscal year	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 90,337	\$ 82,408	\$ 93,041
Contribution in relation to the actuarially determined contributions	(90,337)	(82,408)	(93,041)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 699,490	\$ 697,838	\$ 835,197
Contributions as a percentage of covered payroll	12.91%	11.81%	11.14%

Note to Schedule

Valuation date: 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, 2017

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,896,573	\$ 4,075,916	\$ 4,153,355	\$ 77,439
Licenses & permits	450,045	448,456	424,941	(23,515)
Fines & Forfeitures	48,448	33,448	34,175	727
Intergovernmental	47,000	58,177	76,851	18,674
Charges for Services	185,326	188,080	191,764	3,684
Development Fees	186,830	181,780	185,194	3,414
Interest Income	3,000	12,478	13,387	909
Other	45,000	45,000	53,704	8,704
Total revenues	4,862,222	5,043,335	5,133,371	90,036
EXPENDITURES:				
Current:				
General Government	1,095,628	1,128,061	1,078,879	49,182
Public Safety	3,004,292	3,258,061	3,053,397	204,664
Public Works	234,998	333,939	329,242	4,697
Community development	453,406	426,036	440,638	(14,602)
Parks and recreation	127,615	128,299	125,073	3,226
Total expenditures	4,915,939	5,274,396	5,027,229	247,167
REVENUES OVER EXPENDITURES	(53,717)	(231,061)	106,142	\$ 337,203
OTHER FINANCING SOURCES (USES):				
Transfers in	-	18,550	18,550	-
Transfers out	(101,000)	(78,000)	(78,000)	-
Total other financing sources (uses)	(101,000)	(59,450)	(59,450)	-
Net change in fund balance	\$ (154,717)	\$ (290,511)	46,692	\$ 337,203
FUND BALANCE:				
Beginning of year			1,481,010	
End of year			\$ 1,527,702	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 164,000	\$ 195,849	\$ 192,946	\$ (2,903)
Interest Income	500	3,587	2,970	(617)
Total revenues	164,500	199,436	195,916	(3,520)
EXPENDITURES:				
Current:				
Public works	323,120	749,594	459,391	290,203
Total expenditures	323,120	749,594	459,391	290,203
REVENUES OVER (UNDER) EXPENDITURES	(158,620)	(550,158)	(263,475)	286,683
Net change in fund balance	\$ (158,620)	\$ (550,158)	(263,475)	\$ 286,683
FUND BALANCE:				
Beginning of year			830,340	
End of year			\$ 566,865	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 5,668,712	\$ 70,435	(5,598,277)
Development fees	963,186	1,267,224	1,495,425	228,201
Interest Income	4,400	28,843	28,687	(156)
Total revenues	967,586	6,964,779	1,594,547	(5,370,232)
EXPENDITURES:				
Current:				
General government	3,647	6,999	7,313	(314)
Community development	192,051	394,050	394,050	-
Public safety	2,886	9,629	10,218	(589)
Public works	51,520	6,232,241	396,062	5,836,179
Parks and recreation	7,546	14,636	8,454	6,182
Library	2,978	6,330	6,644	(314)
Total expenditures	260,628	6,663,885	822,741	5,841,144
REVENUES OVER (UNDER) EXPENDITURES	706,958	300,894	771,806	470,912
Net change in fund balance	\$ 706,958	\$ 300,894	771,806	\$ 470,912
FUND BALANCE:				
Beginning of year			3,916,153	
End of year			\$ 4,687,959	

SUPPLEMENTARY INFORMATION

City of Calimesa
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2017

	Special Revenues Funds				
	Supplemental Law Enforcement Grant	Housing Rehab - State	Library	Transportation Air Quality Improvements	Gas Tax
Assets					
Cash and investments	\$ 31,627	\$ 59,786	\$ 276,843	\$ 40,587	\$ -
Receivables:					
Accounts	-	1,706	-	-	-
Intergovernmental	-	-	30,009	2,691	16,586
Loans	-	685,370	-	-	-
Total Assets	<u>31,627</u>	<u>746,862</u>	<u>306,852</u>	<u>43,278</u>	<u>16,586</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable and accrued liabilities	22,350	660	628	-	8,518
Unearned revenues	-	-	28,324	-	-
Due to other funds	-	-	-	-	8,068
Total Liabilities	<u>22,350</u>	<u>660</u>	<u>28,952</u>	<u>-</u>	<u>16,586</u>
Deferred Inflow of Resources:					
Unavailable revenues	-	-	-	-	-
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:					
Restricted	9,277	746,202	277,900	43,278	-
Assigned	-	-	-	-	-
Total Fund Balance	<u>9,277</u>	<u>746,202</u>	<u>277,900</u>	<u>43,278</u>	<u>-</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 31,627</u>	<u>\$ 746,862</u>	<u>\$ 306,852</u>	<u>\$ 43,278</u>	<u>\$ 16,586</u>

Special Revenues Funds				Capital Projects	Total Nonmajor Governmental Funds
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Park & Rec	General Capital Projects Fund	
\$ 3,342	\$ 25,167	\$ -	\$ 44,125	\$ 39,616	\$ 521,093
2,900	-	17,652	-	-	22,258
-	-	-	-	-	49,286
-	-	-	-	-	685,370
<u>6,242</u>	<u>25,167</u>	<u>17,652</u>	<u>44,125</u>	<u>39,616</u>	<u>1,278,007</u>
4,751	-	905	-	-	37,812
-	-	-	-	-	28,324
-	-	16,746	-	-	24,814
<u>4,751</u>	<u>-</u>	<u>17,651</u>	<u>-</u>	<u>-</u>	<u>90,950</u>
1,040	-	-	-	-	1,040
<u>1,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040</u>
451	25,167	1	44,125	-	1,146,401
-	-	-	-	39,616	39,616
<u>451</u>	<u>25,167</u>	<u>1</u>	<u>44,125</u>	<u>39,616</u>	<u>1,186,017</u>
\$ <u>6,242</u>	\$ <u>25,167</u>	\$ <u>17,652</u>	\$ <u>44,125</u>	\$ <u>39,616</u>	\$ <u>1,278,007</u>

City of Calimesa
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenues Funds				
	Supplemental Law Enforcement Grant	Housing Rehab - State	Library	Transportation Air Quality Improvements	Gas Tax
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	120,990	1,704	58,393	10,585	165,006
Investment earnings	203	319	1,801	253	141
Other	-	-	35	6,025	-
Total Revenues	121,193	2,023	60,229	16,863	165,147
Expenditures					
Current:					
Public safety	127,445	-	-	-	-
Public works	-	8,088	-	-	204,176
Community services and development	-	-	-	3,555	-
Parks and recreation	-	-	-	-	-
Library	-	-	24,072	-	-
Total Expenditures	127,445	8,088	24,072	3,555	204,176
Excess (Deficit) of Revenues Over Expenditures	(6,252)	(6,065)	36,157	13,308	(39,029)
Other Financing Sources (Uses)					
Transfers in (Note 4)	5,000	-	-	-	-
Transfers out (Note 4)	-	-	-	(18,550)	-
Total Other Financing Sources (Uses)	5,000	-	-	(18,550)	-
Net Change in Fund Balance	(1,252)	(6,065)	36,157	(5,242)	(39,029)
Fund Balance - Beginning of year	10,529	752,267	241,743	48,520	\$39,029
Fund Balance - End of year	\$ 9,277	\$ 746,202	\$ 277,900	\$ 43,278	\$ -

Special Revenues Funds				Capital Projects		Total Nonmajor Governmental Funds
Lighting/ Landscape District	Recycling	Housing Rehab - Federal	Park & Rec	General Capital Projects Fund		
\$ 78,759	\$ -	\$ -	\$ -	\$ -	\$ 78,759	
-	5,000	37,032	-	-	398,710	
35	158		292	237	3,439	
-	-		-	-	6,060	
<u>78,794</u>	<u>5,158</u>	<u>37,032</u>	<u>292</u>	<u>237</u>	<u>486,968</u>	
39,128	-	-	-	-	166,573	
109,885	-	37,031	-	-	359,180	
-	-	-	-	-	3,555	
-	-	-	1,134	-	1,134	
-	-	-	-	-	24,072	
<u>149,013</u>	<u>-</u>	<u>37,031</u>	<u>1,134</u>	<u>-</u>	<u>554,514</u>	
(70,219)	5,158	1	(842)	237	(67,546)	
68,000	-	-	-	5,000	78,000	
-	-	-	-	-	(18,550)	
<u>68,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>59,450</u>	
(2,219)	5,158	1	(842)	5,237	(8,096)	
<u>2,670</u>	<u>20,009</u>	<u>-</u>	<u>44,967</u>	<u>34,379</u>	<u>1,194,113</u>	
<u>\$ 451</u>	<u>\$ 25,167</u>	<u>\$ 1</u>	<u>\$ 44,125</u>	<u>\$ 39,616</u>	<u>\$ 1,186,017</u>	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 106,000	\$ 120,989	\$ 120,990	\$ 1
Interest Income	45	194	203	9
Total revenues	106,045	121,183	121,193	10
EXPENDITURES:				
Current:				
Public safety	132,558	129,543	127,445	2,098
Total expenditures	132,558	129,543	127,445	2,098
REVENUES OVER (UNDER) EXPENDITURES	(26,513)	(8,360)	(6,252)	\$ 2,108
OTHER FINANCING SOURCES (USES):				
Transfers in	16,000	5,000	5,000	-
Total other financing sources (uses)	16,000	5,000	5,000	-
Net change in fund balance	\$ (10,513)	\$ (3,360)	(1,252)	\$ 2,108
FUND BALANCE:				
Beginning of year			10,529	
End of year			\$ 9,277	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Housing Rehab - State For the year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 508,400	\$ 1,704	\$ (506,696)
Interest Income	-	20	319	299
Total revenues	-	508,420	2,023	(506,397)
EXPENDITURES:				
Current:				
Public works	-	508,400	8,088	500,312
Total expenditures	-	508,400	8,088	500,312
Net change in fund balance	\$ -	\$ 20	(6,065)	\$ (6,085)
FUND BALANCE:				
Beginning of year			752,267	
End of year			\$ 746,202	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 25,000	\$ 28,418	\$ 58,393	\$ 29,975
Interest Income	400	1,839	1,801	(38)
Other	3,500	4,275	35	(4,240)
Total revenues	28,900	34,532	60,229	25,697
EXPENDITURES:				
Current:				
Library	35,940	33,740	24,072	9,668
Total expenditures	35,940	33,740	24,072	9,668
Net change in fund balance	\$ (7,040)	\$ 792	36,157	\$ 35,365
FUND BALANCE:				
Beginning of year			241,743	
End of year			\$ 277,900	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 9,700	\$ 9,700	\$ 10,585	\$ 885
Interest income	60	255	253	(2)
Other income	-	-	6,025	6,025
Total revenues	9,760	9,955	16,863	6,908
EXPENDITURES:				
Current:				
Community development	3,555	3,555	3,555	-
Total expenditures	3,555	3,555	3,555	-
REVENUES OVER (UNDER) EXPENDITURES	6,205	6,400	13,308	6,908
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(18,550)	(18,550)	-
Total other financing sources (uses)	-	(18,550)	(18,550)	-
Net change in fund balance	\$ 6,205	\$ (12,150)	(5,242)	\$ 6,908
FUND BALANCE:				
Beginning of year			48,520	
End of year			\$ 43,278	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 176,583	\$ 169,309	\$ 165,006	\$ (4,303)
Interest Income	60	200	141	(59)
Total revenues	176,643	169,509	165,147	(4,362)
EXPENDITURES:				
Current:				
Public works	218,167	208,536	204,176	4,360
Total expenditures	218,167	208,536	204,176	4,360
Net change in fund balance	\$ (41,524)	\$ (39,027)	(39,029)	\$ (2)
FUND BALANCE:				
Beginning of year			39,029	
End of year			\$ -	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 78,000	\$ 80,000	\$ 78,759	\$ (1,241)
Interest income	-	-	35	35
Total revenues	78,000	80,000	78,794	(1,206)
EXPENDITURES:				
Current:				
Public Safety	45,000	42,000	39,128	2,872
Public works	110,011	107,920	109,885	(1,965)
Total expenditures	155,011	149,920	149,013	907
REVENUES OVER (UNDER) EXPENDITURES	(77,011)	(69,920)	(70,219)	(299)
OTHER FINANCING SOURCES (USES):				
Transfers in	80,000	68,000	68,000	-
Total other financing sources (uses)	80,000	68,000	68,000	-
Net change in fund balance	\$ 2,989	\$ (1,920)	(2,219)	\$ (299)
FUND BALANCE:				
Beginning of year			2,670	
End of year			\$ 451	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Recycling Fund For the year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 5,000	\$ 5,000	\$ -
Interest Income	-	157	158	1
Total revenues	-	5,157.00	5,158	1
EXPENDITURES:				
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	5,157	5,158	1
Net change in fund balance	\$ -	\$ 5,157	5,158	\$ 1
FUND BALANCE:				
Beginning of year			20,009	
End of year			\$ 25,167	

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Housing Rehab - Federal For the year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 511,700	\$ 37,032	\$ (474,668)
Total revenues	-	511,700	37,032	(474,668)
EXPENDITURES:				
Current:				
Public works	-	511,700	37,031	474,669
Total expenditures	-	511,700	37,031	474,669
REVENUES OVER (UNDER) EXPENDITURES	-	-	1	1
Net change in fund balance	\$ -	\$ -	1	\$ 1
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 1	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment Earning	\$ -	\$ 304	\$ 292	\$ (12)
Total revenues	-	304	292	(12)
EXPENDITURES:				
Current:				
Parks and recreation	1,134	1,134	1,134	-
Total expenditures	1,134	1,134	1,134	-
Net change in fund balance	\$ (1,134)	\$ (830)	(842)	\$ (12)
FUND BALANCE:				
Beginning of year			44,967	
End of year			\$ 44,125	