

City of Calimesa

Calimesa, California

*Annual Audit Report and Financial
Statements*

For the year ended June 30, 2013

City of Calimesa
Annual Audit Report and Financial Statements
For the year ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Calimesa, California (City), as of and for the year ended June 30, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position 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 budgetary comparison information on pages 48-51 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.

Omitted Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, and budgetary comparison schedules for other funds on pages 54-68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 54-68 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2014, 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, CPAs
Oakland, CA
April 21, 2014

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**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Calimesa
Statement of Net Position
June 30, 2013

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and investments (Note 3) | \$ 4,812,823 |
| Receivables: | |
| Taxes | 211,443 |
| Accounts | 50,526 |
| Interest | 1,736 |
| Due from other governments | 65,387 |
| Note Receivable | 168,750 |
| Capital assets not being depreciated (Note 5) | 1,918,401 |
| Capital assets being depreciated, net (Note 5) | 10,279,192 |
| Total Assets | <u>17,508,258</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | 812,218 |
| Deposits | 429,524 |
| Unearned revenues | 232,167 |
| Noncurrent liabilities: | |
| Due within one year | 12,611 |
| Due in more than one year | 80,270 |
| Total Liabilities | <u>1,566,790</u> |
| Net Position | |
| Invested in capital assets (Note 5) | 12,197,593 |
| Restricted: | |
| Legally restricted - Street and Road Improvements | 1,060,639 |
| Regulatory/grant restrictions | 339,924 |
| Legally restricted - Dev. Impact fees | 1,407,608 |
| Unrestricted | 935,704 |
| Total Net Position | <u>\$ 15,941,468</u> |

City of Calimesa
Statement of Activities
For the year ended June 30, 2013

| 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 | \$ 1,087,896 | \$ 195,675 | \$ 129,432 | \$ - | \$ 325,107 | \$ (762,789) |
| Public safety | 2,564,561 | 47,055 | 100,000 | - | 147,055 | (2,417,506) |
| Public works | 947,133 | 769,323 | 180,407 | 402,113 | 1,351,843 | 404,710 |
| Community services and development | 669,797 | 192,001 | 77,955 | - | 269,956 | (399,841) |
| Parks and recreation | 163,451 | - | 36,835 | - | 36,835 | (126,616) |
| Library | 3,580 | - | 27,213 | - | 27,213 | 23,633 |
| Total governmental activities | <u>\$ 5,436,418</u> | <u>\$ 1,204,054</u> | <u>\$ 551,842</u> | <u>\$ 402,113</u> | <u>\$ 2,158,009</u> | <u>(3,278,409)</u> |

General Revenues:

Taxes:

| | |
|---------------------------|-----------|
| Property | 1,712,998 |
| Sales tax | 584,096 |
| Motor vehicle in-lieu | 583,541 |
| Franchise fees | 298,931 |
| Transient occupancy taxes | 32,845 |
| Busines Licenses | 20,385 |

Total Taxes 3,232,796

Unresricted investment earnings 12,152

Other 56,564

Total general revenues 3,301,512

Change in net position 23,103

Net position - beginning of year 15,918,365

Net position - end of year \$ 15,941,468

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, 2013

| | Major Funds | |
|--|---------------------|------------------------------|
| | General | Measure A Special Revenue |
| Assets | | |
| Cash and investments | \$ 1,936,234 | \$ 1,044,751 |
| Receivables: | | |
| Taxes | 186,207 | 22,525 |
| Intergovernmental | 4,936 | - |
| Interest | 232 | 210 |
| Accounts | 50,526 | - |
| Due from other funds | 15,443 | - |
| Note Receivable | 168,750 | - |
| Total Assets | <u>\$ 2,362,328</u> | <u>\$ 1,067,486</u> |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 758,052 | \$ 6,847 |
| Deferred revenues | 210,757 | - |
| Due to other funds | - | - |
| Deposits | 429,524 | - |
| Total Liabilities | <u>1,398,333</u> | <u>6,847</u> |
| Fund Balance: | | |
| Restricted | - | 1,060,639 |
| Assigned | 30,000 | - |
| Unassigned | 933,995 | - |
| Total Fund Balance | <u>963,995</u> | <u>1,060,639</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,362,328</u> | <u>\$ 1,067,486</u> |

See accompanying Notes to Basic Financial Statements.

| Major Fund Mitigation Fees Special Revenue | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|--------------------------------|
| \$ 1,428,309 | \$ 403,529 | \$ 4,812,823 |
| - | 2,711 | 211,443 |
| 5,000 | 55,451 | 65,387 |
| 1,132 | 162 | 1,736 |
| - | - | 50,526 |
| - | - | 15,443 |
| - | - | 168,750 |
| <u>\$ 1,434,441</u> | <u>\$ 461,853</u> | <u>\$ 5,326,108</u> |
| \$ 26,833 | \$ 20,486 | \$ 812,218 |
| - | 64,955 | 275,712 |
| - | 15,443 | 15,443 |
| - | - | 429,524 |
| <u>26,833</u> | <u>100,884</u> | <u>1,532,897</u> |
| 1,407,608 | 339,924 | 2,808,171 |
| - | 21,045 | 51,045 |
| - | - | 933,995 |
| <u>1,407,608</u> | <u>360,969</u> | <u>3,793,211</u> |
| <u>\$ 1,434,441</u> | <u>\$ 461,853</u> | <u>\$ 5,326,108</u> |

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City of Calimesa
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

| | |
|--|-----------------------------|
| Total Fund Balance - Governmental Funds | <u>\$ 3,793,211</u> |
| <p>Amounts reported for governmental activities in the statement of net positions (page 9) are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> | 12,197,593 |
| <p>Revenues in the statement of activities that do not provide current financial resources are classified as unearned revenues in the funds.</p> | 43,545 |
| <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p> | <u>(92,881)</u> |
| Net position of governmental activities | <u><u>\$ 15,941,468</u></u> |

City of Calimesa
Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

| | Major Funds | |
|--|--------------|------------------------------|
| | General | Measure A Special Revenue |
| Revenues | | |
| Taxes | \$ 2,528,766 | \$ - |
| Licenses and permits | 192,001 | - |
| Fines and forfeitures | 47,055 | - |
| Intergovernmental | 712,973 | 402,113 |
| Charges for services | 195,675 | - |
| Development fees | 141,715 | - |
| Investment earnings | 8,946 | 421 |
| Other | 56,564 | - |
| Total Revenues | 3,883,695 | 402,534 |
| Expenditures | | |
| Current: | | |
| General government | 1,000,058 | - |
| Public safety | 2,328,029 | - |
| Public works | 222,029 | 56,871 |
| Community services and development | 305,818 | - |
| Parks and recreation | 118,200 | - |
| Library | - | - |
| Total Expenditures | 3,974,134 | 56,871 |
| Excess (Deficit) of Revenues Over Expenditures | (90,439) | 345,663 |
| Other Financing Sources (Uses) | | |
| Transfers in (Note 4) | 17,715 | 448,140 |
| Transfers out (Note 4) | (158,950) | - |
| Total Other Financing Sources (Uses) | (141,235) | 448,140 |
| Net Change in Fund Balance | (231,674) | 793,803 |
| Fund Balance - Beginning of year | 1,195,669 | 266,836 |
| Fund Balance - End of year | \$ 963,995 | \$ 1,060,639 |

See accompanying Notes to Basic Financial Statements.

| Major Fund Mitigation Fees Special Revenue | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|--------------------------------|
| \$ - | \$ 76,944 | \$ 2,605,710 |
| - | - | 192,001 |
| - | - | 47,055 |
| - | 422,410 | 1,537,496 |
| - | 35,000 | 230,675 |
| 592,608 | - | 734,323 |
| 2,159 | 626 | 12,152 |
| - | - | 56,564 |
| 594,767 | 534,980 | 5,415,976 |
| 7,585 | 44,251 | 1,051,894 |
| 373 | 226,868 | 2,555,270 |
| 28,699 | 271,527 | 579,126 |
| 182,807 | 162,713 | 651,338 |
| 23,280 | 21,507 | 162,987 |
| 481 | 3,099 | 3,580 |
| 243,225 | 729,965 | 5,004,195 |
| 351,542 | (194,985) | 411,781 |
| 27,845 | 131,105 | 624,805 |
| (448,140) | (17,715) | (624,805) |
| (420,295) | 113,390 | - |
| (68,753) | (81,595) | 411,781 |
| 1,476,361 | \$ 442,564 | \$ 3,381,430 |
| \$ 1,407,608 | \$ 360,969 | \$ 3,793,211 |

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, 2013

Net change in fund balance - governmental funds (page 19) \$ 411,781

Amounts reported for governmental activities in the statements of activities (page 10) are different because:

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. (413,807)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 43,545

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 (18,416)

Change in net position of governmental activities \$ 23,103

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds

CFD #1 Agency Fund accounts for assets held by the City for Community Facility District #1.

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, 2013

| | CFD #1 | Successor Agency Trust Fund |
|---|-------------------|--|
| Assets | | |
| Cash and investments (Note 3) | \$ 226,792 | \$ 26,300 |
| Cash and investments with fiscal agent | - | 2,309 |
| Cash and investments with fiscal agent - restricted | - | 223,720 |
| Receivables: | | |
| Interest | 8 | - |
| Deferred charges | - | 146,067 |
| Total Assets | <u>226,800</u> | <u>398,396</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 4,445 | 70,652 |
| Interest Payable | - | 14,254 |
| Deposits | 10,000 | - |
| Due to bondholders | 212,355 | - |
| Noncurrent liabilities: | | |
| Due within one year | - | 60,000 |
| Due in more than one year | - | 2,758,357 |
| Total Liabilities | <u>\$ 226,800</u> | <u>2,903,263</u> |
| Net Position | | |
| Restricted: | | 181,677 |
| Unrestricted | | <u>(2,686,544)</u> |
| Net Position | | <u>\$ (2,504,867)</u> |

City of Calimesa
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended June 30, 2013

| | Successor Agency Trust Fund |
|--|--|
| Additions | |
| Intergovernmental revenue | \$ 484,188 |
| Interest income | 5 |
| Total additions | <u>484,193</u> |
| Deductions | |
| Administration | 246,492 |
| Interest | 202,084 |
| Total deductions | <u>448,576</u> |
| Change in Net Position | 35,617 |
| Net Position - beginning, as restated | <u>(2,540,484)</u> |
| Net Position - ending | <u><u>\$ (2,504,867)</u></u> |

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Calimesa
Notes to Basic Financial Statements
For the year ended June 30, 2013

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) and its component unit.

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, 2013

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.

The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2013

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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity

Interfund Transactions

Interfund transactions are reflected as loans, services provided reimbursements 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

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

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, 2013

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 |

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.

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.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, liabilities and net position or equity

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, 2013

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, 2013

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

E. New Pronouncement

In 2013, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* - The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. There was no effect on net position by the City implementing this new accounting standard.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* - The requirements of this statement result in financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. There was no effect on net position by the City implementing this new accounting standard.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - The requirements of this statement improve financial reporting by contributing to the Governmental Accounting Standards Board's (GASB) efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. There was no effect on net position by the City implementing this new accounting standard.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosure.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

2. BUDGETARY ACCOUNTING

Excess of expenditures over appropriations

The following funds reported an excess of expenditures over appropriations at June 30, 2013:

| | <u>Final</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------------|--------------|---------------|-----------------|
| <i>Special Revenue Funds</i> | | | |
| Community Development Block Grant | \$ 5,000 | \$ 67,880 | \$ (62,880) |
| Gas Tax | 237,222 | 247,898 | (10,676) |
| Lighting/Landscape District | \$ 115,369 | \$ 124,127 | \$ (8,758) |

3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows.

Statement of net positions:

| | |
|---|--------------|
| Cash and investments | \$ 4,812,823 |
| Cash and investments with fiscal agent | - |
| Cash and investments with fiscal agent-restricted | - |

Fiduciary funds:

| | |
|---|---------|
| Cash and investments | 253,092 |
| Cash and investments with fiscal agent | 2,309 |
| Cash and investments with fiscal agent-restricted | 223,720 |

| | |
|----------------------------|---------------------|
| Total cash and investments | <u>\$ 5,291,944</u> |
|----------------------------|---------------------|

Pooled deposits:

| | |
|-----------------|--------------|
| Demand deposits | \$ 1,466,553 |
| Petty cash | 900 |
| Investments | 3,824,491 |

| | |
|----------------------------|---------------------|
| Total cash and investments | <u>\$ 5,291,944</u> |
|----------------------------|---------------------|

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, Continued

A. Deposits

The carrying amount of the City's cash deposit was \$1,466,553 at June 30, 2013. Bank balances before reconciling items were \$1,720,415 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.

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 City's investment policy does not contain any specific provisions intended to limit its exposure to a concentration of credit risk.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, Continued

B. Investments, Continued

Investments authorized by debt agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

The table on below identifies the *investment types* that are authorized for investments held by bond trustee. The Table also identifies certain provisions of these debt agreements that address *interest risk* and *concentration of credit risk*.

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, Continued

B. Investments, Continued

| Investment type | Totals | Remaining maturity 12 month or less |
|------------------------------|---------------------|---|
| Local Agency Investment Fund | \$ 3,598,462 | \$ 3,598,462 |
| Held by bond trustee: | | |
| Dreyfus cash management | 226,029 | 226,029 |
| Total investments | <u>\$ 3,824,491</u> | <u>\$ 3,824,491</u> |

Custodial credit risk

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

Credit risk/pooled cash

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

Disclosures relating to credit risk

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, Continued

B. Investments, Continued

| Investment type | Amount | Minimum legal rating | Ratings at fiscal year end | |
|------------------------------|---------------------|----------------------|----------------------------|---------------------|
| | | | Aaa/AAA | Not Rated |
| Local Agency Investment Fund | \$ 3,598,462 | N/A | \$ - | \$ 3,598,462 |
| Held by bond trustee: | | | | |
| Dreyfus cash management | 226,029 | N/A | 226,029 | - |
| Total investments | <u>\$ 3,824,491</u> | | <u>\$ 226,029</u> | <u>\$ 3,598,462</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 static rating agency. Both LAIF and the Dreyfus cash management 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, 2013 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2013, the City had \$3,598,462 invested in LAIF, which had 1.96% 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 1.000273207 to the total investments held by LAIF.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds:

| <u>Receivable fund</u> | <u>Amount</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|-----------------|---------------------|---------------------|
| General Fund | <u>\$15,443</u> | Nonmajor funds | <u>\$15,443</u> (a) |
| Total | <u>\$15,443</u> | Total | <u>\$15,443</u> |

(a) These amounts are to cover deficit cash balances in the owing funds and are expected to be repaid in full by June 30, 2014.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, Continued

Transfer in/out

| Fund receiving transfer | Amount | Fund making transfer | Amount | |
|-------------------------|------------|----------------------|------------|---|
| Non-Major | \$ 101,902 | General Fund | \$ 101,902 | a |
| Non-Major | 9,203 | General Fund | 9,203 | b |
| Non-Major | 15,000 | General Fund | 15,000 | c |
| Non-Major | 5,000 | General Fund | 5,000 | d |
| Mitigation Fees | 9,318 | General Fund | 9,318 | e |
| Mitigation Fees | 18,527 | General Fund | 18,527 | f |
| Measure A | 448,140 | Mitigation Fees | 448,140 | g |
| General Fund | 16,756 | Non-Major | 16,756 | h |
| General Fund | 959 | Non-Major | 959 | i |
| Total | \$ 624,805 | Total | \$ 624,805 | |

- a This represents a transfer from the General Fund to cover a deficiency at year end in the Prop 84 Grant Fund.
- b This represents a transfer from the General Fund to cover a deficiency at year end in the SCE General Plan Grant Fund.
- c This represents a transfer from the General Fund to cover a deficiency at year end in the LLMD Fund.
- d This represents a transfer from the General fund to the Capital Projects Fund related to ADA CIP.
- e This represents a transfer from the General Fund to cover a prior year deficiency in the Mitigation Fees Fund which was never adjusted.
- f This represents a transfer from the General Fund to cover a prior year deficiency in the Mitigation Fees Fund which was never adjusted.
- g This represents a transfer from the Mitigation Fees Fund to the Measure A Fund to correct the error of CIP Funds RDA Bond Proceeds being erroneously put in Mitigation Fees Funds in fiscal year 2010/2011.
- h This represents a transfer back from the Prop 84 Grant Fund to the General Fund after the transfer mentioned in "a" to account for net activity.
- i This represents a transfer back from the SCE General Plan Grant Fund to the General Fund after the transfer mentioned in "b" to account for net activity.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

5. CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2013 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 | - | - | - | - |
| Total capital assets not being depreciated | <u>1,918,401</u> | <u>-</u> | <u>-</u> | <u>1,918,401</u> |
| Capital assets being depreciated: | | | | |
| Building and improvements | 1,242,504 | - | - | 1,242,504 |
| Machinery and equipment | 483,642 | - | - | 483,642 |
| Road network | 10,581,232 | - | - | 10,581,232 |
| Total capital assets being depreciated | <u>12,307,378</u> | <u>-</u> | <u>-</u> | <u>12,307,378</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (587,664) | (31,062) | - | (618,726) |
| Machinery and equipment | (399,454) | (30,037) | - | (429,491) |
| Road network | (627,261) | (352,708) | - | (979,969) |
| Total accumulated depreciation | <u>(1,614,379)</u> | <u>(413,807)</u> | <u>-</u> | <u>(2,028,186)</u> |
| Total capital assets, being depreciated, net | <u>10,692,999</u> | <u>(413,807)</u> | <u>-</u> | <u>10,279,192</u> |
| Governmental activities capital assets, net | <u>\$ 12,611,400</u> | <u>\$ (413,807)</u> | <u>\$ -</u> | <u>\$ 12,197,593</u> |

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

| | |
|--|-------------------|
| General government | \$ 17,586 |
| Public safety | 9,291 |
| Public works | 368,007 |
| Community services and development | 18,459 |
| Parks and recreation | <u>464</u> |
| Total depreciation expense - governmental activities | <u>\$ 413,807</u> |

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

6. LONG-TERM LIABILITIES

The following is a summary of the changes in the long-term liabilities for the fiscal year ended June 30, 2013:

| Description | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
|----------------------|-------------------|-----------|-----------|----------------|---------------------|
| Compensated absences | \$ 74,465 | 49,396 | 30,980 | \$ 92,881 | \$ 12,611 |

Compensated absences

For the governmental funds, accumulated vacation, and compensatory time payable, excluding the current portion of \$12,611 at June 30, 2013, was \$80,270. 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.

7. CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

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

Funding Policy: Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The City pays the full 7% of the employee's portion of the required PERS contribution. The Employer contribution rate for the fiscal year ended June 30, 2013 was 10.95% for miscellaneous employees. Benefit provisions and all other requirements are established by State statute and City council actions.

Annual Pension Cost: For the fiscal year ending June 30, 2013, the City's annual pension cost of \$71,286 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% for miscellaneous employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010, was 7 years for miscellaneous employees for prior and current service unfunded liability.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

7. CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN), Continued

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code allowed PERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the City was required to participate in a risk pool of other agencies with less than 100 employees. The valuation report as of June 30, 2010, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2010.

At the time of joining a risk pool (valuation of June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and funded status of the City's plan. As of the June 30, 2012 valuation, the balance of the side fund was \$(81,694).

The side fund will be created, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. The negative side fund will cause the City's required employer contribution rate to be increased by the Amortization of the Side Fund. In the absence contract amendments or funding changes, the side fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2012 was 3 years.

| <u>Three year trend information</u> | | |
|-------------------------------------|--------------------------------------|--|
| <u>Fiscal year</u> | <u>Annual pension cost (APC)</u> | <u>Percentage of APC contributed</u> |
| June 30, 2011 | \$ 60,574 | 100% |
| June 30, 2012 | \$ 84,021 | 100% |
| June 30, 2013 | \$ 71,288 | 100% |

8. RISK MANAGEMENT

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

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

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

8. RISK MANAGEMENT, Continued

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

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

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

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

9. 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.

10. 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.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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

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

Resolution No. 2012-01 of the Calimesa Successor Agency (CSA) was approved which provided for the City to act as the successor agency to the former Redevelopment Agency. For clarity and ease of financial statement presentation purposes, both the LMI and non-housing financial activities and net 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, 2013:

| Description | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
|------------------------|----------------------|-------------|--------------------|---------------------|------------------------|
| Bonds | | | | | |
| 2008 Series bonds | \$ 2,905,000 | \$ - | \$ (60,000) | \$ 2,845,000 | \$ 60,000 |
| Less deferred amounts: | | | | | |
| For issuance discount | 35,800 | - | (9,157) | 26,643 | - |
| Total bonds | <u>\$ 2,869,200</u> | <u>\$ -</u> | <u>\$ (50,843)</u> | <u>\$ 2,818,357</u> | <u>\$ 60,000</u> |

2008 Tax Allocation Revenue Bonds

In June 2008, the Calimesa Redevelopment Agency (City) issued Calimesa Redevelopment Project No. 1 and Project No. 5 Tax Allocation Revenue Bonds, Series 2008, in the aggregate principal of \$4,260,000.

City of Calimesa
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

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

2008 Tax Allocation Revenue Bonds, Continued

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

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, 2013, the amount held in the reserve account was \$226,029 which was fully funded.

Pledged revenues

The former RDA pledged 100% of future tax increment revenue (less amounts payable by or required to be set aside by the Agency under any pass-through agreements and by the amount required to be set-aside for low and moderate housing as required by the California Health and Safety Code) as security for the bonds. While the pledge was originally considered outstanding for the duration of the debt service requirements, the dissolution of redevelopment agencies pursuant to AB 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.

11. PRIOR PERIOD ADJUSTMENT

The City recorded prior period adjustments to consolidate the activities related to previously reported special revenue funds (Senior Center Computer Fund, Special Deposits Fund, and the Insurance Fund) with the General Fund as they do not meet the GASB 54 definition of Special Revenue Funds.

Governmental Fund Statements

| | Fund Balance, as Previously Reported | Prior Period Adjustment | | | Fund Balance, as Restated |
|-----------------------------|---|-------------------------|------------------------|---------------------|---------------------------------|
| | | Cash | Interest Receivable | Deposits Payable | |
| Fund Statements: | | | | | |
| General Fund | \$ 1,170,708 | \$ 346,052 | \$ 232 | \$ (321,323) | \$ 1,195,669 |
| Senior Center Computer Fund | \$ 106 | \$ (106) | \$ - | \$ - | \$ - |
| Special Deposits Fund | \$ (5,145) | \$ (315,946) | \$ (232) | \$ 321,323 | \$ - |
| Insurance Fund | \$ 30,000 | \$ (30,000) | \$ - | \$ - | \$ - |

**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Calimesa
Required Supplementary Information
For the year ended June 30, 2013

1. 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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|--------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Taxes | \$ 2,442,250 | \$ 2,471,546 | \$ 2,528,766 | \$ 57,220 |
| Licenses & permits | 36,860 | 40,460 | 192,001 | 151,541 |
| Fines & Forfeitures | 65,900 | 37,400 | 47,055 | 9,655 |
| Intergovernmental | 638,000 | 677,369 | 712,973 | 35,604 |
| Charges for Services | 375,140 | 385,190 | 195,675 | (189,515) |
| Development Fees | 28,500 | 103,670 | 141,715 | 38,045 |
| Interest Income | 9,900 | 5,240 | 8,946 | 3,706 |
| Other | 250,200 | 169,621 | 56,564 | (113,057) |
| Total revenues | 3,846,750 | 3,890,496 | 3,883,695 | (6,801) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 925,470 | 1,141,971 | 1,000,058 | 141,913 |
| Public Safety | 2,328,333 | 2,301,333 | 2,328,029 | (26,696) |
| Public Works | 124,143 | 143,385 | 222,029 | (78,644) |
| Community development | 378,616 | 288,119 | 305,818 | (17,699) |
| Parks and recreation | 121,304 | 119,004 | 118,200 | 804 |
| Total expenditures | 3,877,866 | 3,993,812 | 3,974,134 | 19,678 |
| REVENUES OVER (UNDER) EXPENDITURES | (31,116) | (103,316) | (90,439) | \$ 12,877 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 17,715 | 17,715 | - |
| Transfers out | - | (158,950) | (158,950) | - |
| Total other financing sources (uses) | - | (141,235) | (141,235) | - |
| Net change in fund balance | \$ (31,116) | \$ (244,551) | (231,674) | \$ 12,877 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,195,669 | |
| End of year | | | \$ 963,995 | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 785,620 | \$ 235,046 | \$ 402,113 | \$ 167,067 |
| Interest Income | 1,000 | 1,000 | 421 | (579) |
| Total revenues | 786,620 | 236,046 | 402,534 | 166,488 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 830,155 | 180,155 | 56,871 | 123,284 |
| Total expenditures | 830,155 | 180,155 | 56,871 | 123,284 |
| REVENUES OVER (UNDER) EXPENDITURES | \$ (43,535) | \$ 55,891 | 345,663 | \$ 289,772 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 448,140 | 448,140 | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | 448,140 | 448,140 | - |
| Net change in fund balance | \$ (43,535) | \$ 504,031 | 793,803 | \$ 289,772 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 266,836 | |
| End of year | | | \$ 1,060,639 | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Development fees | \$ - | \$ 221,105 | \$ 592,608 | \$ 371,503 |
| Interest Income | 4,055 | 4,055 | 2,159 | (1,896) |
| Total revenues | 4,055 | 225,160 | 594,767 | 369,607 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | 7,585 | 7,585 | - |
| Community development | - | 182,172 | 182,807 | (635) |
| Public safety | - | 373 | 373 | - |
| Public works | 42,500 | 43,338 | 28,699 | 14,639 |
| Parks and recreation | - | 34,638 | 23,280 | 11,358 |
| Library | - | 481 | 481 | - |
| Total expenditures | 42,500 | 268,587 | 243,225 | 25,362 |
| REVENUES OVER (UNDER) EXPENDITURES | (38,445) | (43,427) | 351,542 | 394,969 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 27,845 | 27,845 |
| Transfers out | - | - | (448,140) | (448,140) |
| Total other financing sources (uses) | - | - | (420,295) | (420,295) |
| Net change in fund balance | \$ (38,445) | \$ (43,427) | (68,753) | \$ (25,326) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,476,361 | |
| End of year | | | \$ 1,407,608 | |

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SUPPLEMENTARY INFORMATION

City of Calimesa
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2013

| | Special Revenues Funds | | | |
|---|------------------------------------|-----------------------------------|----------------------------|-------------------|
| | Supplemental Law Enforcement Grant | Community Development Block Grant | Parks and Recreation Grant | Library |
| Assets | | | | |
| Cash and investments | \$ 8,831 | \$ 57,623 | \$ 60,484 | \$ 193,289 |
| Other receivable | - | - | - | - |
| Receivables: | | | | |
| Taxes | - | - | - | - |
| Intergovernmental | 25,000 | 712 | - | 27,213 |
| Interest | 3 | 45 | - | - |
| Accounts | - | - | - | - |
| Due from other funds | - | - | - | - |
| Total Assets | \$ 33,834 | \$ 58,380 | \$ 60,484 | \$ 220,502 |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 8,357 | \$ - | \$ 6,599 | \$ 655 |
| Deferred revenues | - | 54,752 | - | 8,665 |
| Due to other funds | 15,443 | - | - | - |
| Deposits | - | - | - | - |
| Total Liabilities | 23,800 | 54,752 | 6,599 | 9,320 |
| Fund Balance: | | | | |
| Restricted | 10,034 | 3,628 | 53,885 | 211,182 |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balance | 10,034 | 3,628 | 53,885 | 211,182 |
| Total Liabilities and Fund Balance | \$ 33,834 | \$ 58,380 | \$ 60,484 | \$ 220,502 |

| Special Revenues Funds | | | | Capital Projects | | |
|------------------------|---|------------------|------------------------------|-------------------------------|-----------------------------------|--|
| Traffic Safety | Transportation Air Quality Improvements | Gas Tax | Lighting/ Landscape District | General Capital Projects Fund | Total Nonmajor Governmental Funds | |
| \$ 3,054 | \$ 23,786 | \$ 32,871 | \$ 2,557 | \$ 21,034 | \$ 403,529 | |
| - | - | - | - | - | - | |
| - | - | - | 2,711 | - | 2,711 | |
| - | 2,526 | - | - | - | 55,451 | |
| 2 | 11 | 90 | - | 11 | 162 | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| <u>\$ 3,056</u> | <u>\$ 26,323</u> | <u>\$ 32,961</u> | <u>\$ 5,268</u> | <u>\$ 21,045</u> | <u>\$ 461,853</u> | |
| \$ - | \$ - | \$ 3,973 | \$ 902 | \$ - | \$ 20,486 | |
| - | - | - | 1,538 | - | 64,955 | |
| - | - | - | - | - | 15,443 | |
| - | - | - | - | - | - | |
| - | - | 3,973 | 2,440 | - | 100,884 | |
| 3,056 | 26,323 | 28,988 | 2,828 | - | 339,924 | |
| - | - | - | - | 21,045 | 21,045 | |
| - | - | - | - | - | - | |
| <u>3,056</u> | <u>26,323</u> | <u>28,988</u> | <u>2,828</u> | <u>21,045</u> | <u>360,969</u> | |
| <u>\$ 3,056</u> | <u>\$ 26,323</u> | <u>\$ 32,961</u> | <u>\$ 5,268</u> | <u>\$ 21,045</u> | <u>\$ 461,853</u> | |

City of Calimesa
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

| | Special Revenues Funds | | |
|--|------------------------------------|-----------------------------------|----------------------------|
| | Supplemental Law Enforcement Grant | Community Development Block Grant | Parks and Recreation Grant |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Fines and forfeitures | - | - | - |
| Intergovernmental | 100,000 | 712 | 36,835 |
| Charges for services | - | - | - |
| Development Fees | - | - | - |
| Investment earnings | 4 | 105 | 84 |
| Other | - | - | - |
| Total Revenues | <u>100,004</u> | <u>817</u> | <u>36,919</u> |
| Expenditures | | | |
| Current: | | | |
| General government | - | 44,251 | - |
| Public safety | 102,741 | - | - |
| Public works | - | 23,629 | - |
| Community services and development | - | - | - |
| Parks and recreation | - | - | 21,507 |
| Library | - | - | - |
| Total Expenditures | <u>102,741</u> | <u>67,880</u> | <u>21,507</u> |
| Excess (Deficit) of Revenues Over Expenditures | (2,737) | (67,063) | 15,412 |
| Other Financing Sources (Uses) | | | |
| Transfers in (Note 4) | - | - | - |
| Transfers out (Note 4) | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (2,737) | (67,063) | 15,412 |
| Fund Balance - Beginning of year | 12,771 | 70,691 | 38,473 |
| Fund Balance - End of year | <u>\$ 10,034</u> | <u>\$ 3,628</u> | <u>\$ 53,885</u> |

Special Revenues Funds

| Library | Traffic Safety | Transportation Air Quality Improvements | Gas Tax | Lighting/ Landscape District | Prop 84 | SCE Grant |
|-------------------|-----------------|---|------------------|---------------------------------|----------------|---------------|
| \$ - | \$ - | \$ - | \$ - | \$ 76,944 | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 27,213 | - | 9,648 | 179,695 | - | 60,070 | 8,237 |
| - | - | - | - | 35,000 | - | - |
| - | - | - | - | - | - | - |
| 262 | - | 26 | 121 | - | - | - |
| - | - | - | - | - | - | - |
| <u>27,475</u> | <u>-</u> | <u>9,674</u> | <u>179,816</u> | <u>111,944</u> | <u>60,070</u> | <u>8,237</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | 124,127 | - | - |
| - | - | - | 247,898 | - | - | - |
| - | - | 1,016 | - | - | 145,216 | 16,481 |
| - | - | - | - | - | - | - |
| 3,099 | - | - | - | - | - | - |
| <u>3,099</u> | <u>-</u> | <u>1,016</u> | <u>247,898</u> | <u>124,127</u> | <u>145,216</u> | <u>16,481</u> |
| 24,376 | - | 8,658 | (68,082) | (12,183) | (85,146) | (8,244) |
| - | - | - | - | 15,000 | 101,902 | 9,203 |
| - | - | - | - | - | (16,756) | (959) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,000</u> | <u>85,146</u> | <u>8,244</u> |
| 24,376 | - | 8,658 | (68,082) | 2,817 | - | - |
| 186,806 | 3,056 | 17,665 | 97,070 | 11 | - | - |
| <u>\$ 211,182</u> | <u>\$ 3,056</u> | <u>\$ 26,323</u> | <u>\$ 28,988</u> | <u>\$ 2,828</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Calimesa
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

| | Capital Projects | |
|--|----------------------------------|---|
| | General Capital Projects Fund | Total Nonmajor Governmental Funds |
| Revenues | | |
| Taxes | \$ - | \$ 76,944 |
| Licenses and permits | - | - |
| Fines and forfeitures | - | - |
| Intergovernmental | - | 422,410 |
| Charges for services | - | 35,000 |
| Development Fees | - | - |
| Investment earnings | 24 | 626 |
| Other | - | - |
| Total Revenues | <u>24</u> | <u>534,980</u> |
| Expenditures | | |
| Current: | | |
| General government | - | 44,251 |
| Public safety | - | 226,868 |
| Public works | - | 271,527 |
| Community services and development | - | 162,713 |
| Parks and recreation | - | 21,507 |
| Library | - | 3,099 |
| Total Expenditures | <u>-</u> | <u>729,965</u> |
| Excess (Deficit) of Revenues Over Expenditures | 24 | (194,985) |
| Other Financing Sources (Uses) | | |
| Transfers in (Note 4) | 5,000 | 131,105 |
| Transfers out (Note 4) | - | (17,715) |
| Total Other Financing Sources (Uses) | <u>5,000</u> | <u>113,390</u> |
| Net Change in Fund Balance | 5,024 | (81,595) |
| Fund Balance - Beginning of year | <u>16,021</u> | <u>442,564</u> |
| Fund Balance - End of year | <u>\$ 21,045</u> | <u>\$ 360,969</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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ - |
| Interest Income | 100 | 100 | 4 | (96) |
| Total revenues | 100,100 | 100,100 | 100,004 | (96) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 102,862 | 102,862 | 102,741 | 121 |
| Total expenditures | 102,862 | 102,862 | 102,741 | 121 |
| Net change in fund balance | \$ (2,762) | \$ (2,762) | (2,737) | \$ 25 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 12,771 | |
| End of year | | | \$ 10,034 | |

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Block Grant Special Revenue Fund For the year ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 712 | \$ 712 |
| Interest Income | 150 | 150 | 105 | (45) |
| Total revenues | 150 | 150 | 817 | 667 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 5,000 | 5,000 | 44,251 | (39,251) |
| Public works | - | - | 23,629 | (23,629) |
| Total expenditures | 5,000 | 5,000 | 67,880 | (62,880) |
| Net change in fund balance | \$ (4,850) | \$ (4,850) | (67,063) | \$ (62,213) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 70,691 | |
| End of year | | | \$ 3,628 | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|-------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 36,835 | \$ 36,835 |
| Interest Income | - | - | 84 | 84 |
| Total revenues | - | - | 36,919 | 36,919 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | - | - | 21,507 | (21,507) |
| Total expenditures | - | - | 21,507 | (21,507) |
| Net change in fund balance | \$ - | \$ - | 15,412 | \$ 15,412 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 38,473 | |
| End of year | | | \$ 53,885 | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 25,000 | \$ 25,000 | \$ 27,213 | \$ 2,213 |
| Interest Income | 500 | 500 | 262 | (238) |
| Total revenues | 25,500 | 25,500 | 27,475 | 1,975 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Library | 14,315 | 14,315 | 3,099 | 11,216 |
| Total expenditures | 14,315 | 14,315 | 3,099 | 11,216 |
| Net change in fund balance | \$ 11,185 | \$ 11,185 | 24,376 | \$ 13,191 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 186,806 | |
| End of year | | | \$ 211,182 | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 8,000 | \$ 8,000 | \$ 9,648 | \$ 1,648 |
| Interest Income | 12 | 12 | 26 | 14 |
| Total revenues | 8,012 | 8,012 | 9,674 | 1,662 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 1,150 | 1,150 | 1,016 | 134 |
| Total expenditures | 1,150 | 1,150 | 1,016 | 134 |
| Net change in fund balance | \$ 6,862 | \$ 6,862 | 8,658 | \$ 1,796 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 17,665 | |
| End of year | | | \$ 26,323 | |

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Traffic Safety Special Revenue Fund For the year ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - |
| Interest Income | - | - | - | - |
| Total revenues | - | - | - | - |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Community development | - | - | - | - |
| Public safety: | - | - | - | - |
| Public works | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Library | - | - | - | - |
| Non-departmental | - | - | - | - |
| Total expenditures | - | - | - | - |
| Net change in fund balance | \$ - | \$ - | - | \$ - |
| FUND BALANCE: | | | | |
| Beginning of year | | | 3,056 | |
| End of year | | | \$ 3,056 | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 200,000 | \$ 200,000 | \$ 179,695 | \$ (20,305) |
| Interest Income | 100 | 100 | 121 | 21 |
| Total revenues | 200,100 | 200,100 | 179,816 | (20,284) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 237,222 | 237,222 | 247,898 | (10,676) |
| Total expenditures | 237,222 | 237,222 | 247,898 | (10,676) |
| Net change in fund balance | \$ (37,122) | \$ (37,122) | (68,082) | \$ (30,960) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 97,070 | |
| End of year | | | \$ 28,988 | |

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, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ 76,944 | \$ 76,944 |
| Charges for Services | - | 35,000 | 35,000 | - |
| Intergovernmental | 81,000 | 81,000 | - | (81,000) |
| Interest Income | 50 | 50 | - | (50) |
| Total revenues | 81,050 | 116,050 | 111,944 | (4,106) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 115,369 | 115,369 | - | 115,369 |
| Total expenditures | 115,369 | 115,369 | - | 115,369 |
| REVENUES OVER (UNDER) EXPENDITURES | (34,319) | 681 | 111,944 | 111,263 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 15,000 | 15,000 | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | 15,000 | 15,000 | - |
| Net change in fund balance | \$ (34,319) | \$ 15,681 | 126,944 | \$ 111,263 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 11 | |
| End of year | | | \$ 126,955 | |

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Proposition 84 Special Revenue Fund For the year ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 60,070 | \$ 60,070 |
| Total revenues | - | - | 60,070 | 60,070 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | - | 145,216 | 145,216 | - |
| Total expenditures | - | 145,216 | 145,216 | - |
| REVENUES OVER (UNDER) EXPENDITURES | - | (145,216) | (85,146) | 60,070 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 101,902 | 101,902 |
| Transfers out | - | - | (16,756) | (16,756) |
| Total other financing sources (uses) | - | - | 85,146 | 85,146 |
| Net change in fund balance | \$ - | \$ (145,216) | - | \$ 145,216 |
| FUND BALANCE: | | | | |
| Beginning of year | | | - | |
| End of year | | | \$ - | |

City of Calimesa

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual SCE Grant Special Revenue Fund For the year ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|--------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 8,237 | \$ 8,237 |
| Charges for services | - | - | - | - |
| Interest Income | - | - | - | - |
| Total revenues | - | - | 8,237 | 8,237 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | - | 16,481 | 16,481 | - |
| Total expenditures | - | 16,481 | 16,481 | - |
| REVENUES OVER (UNDER) EXPENDITURES | - | (16,481) | (8,244) | 8,237 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 9,203 | 9,203 |
| Transfers out | - | - | (959) | (959) |
| Total other financing sources (uses) | - | - | 8,244 | 8,244 |
| Net change in fund balance | \$ - | \$ (16,481) | - | \$ 16,481 |
| FUND BALANCE: | | | | |
| Beginning of year | | | - | |
| End of year | | | \$ - | |