

2018

Comprehensive Annual Financial Report

Year ended June 30, 2018



City of Cathedral City, California

2018

Comprehensive Annual Financial Report

Year ended June 30, 2018

City of Cathedral City, California



Cathedral City

prepared by

FINANCE DEPARTMENT

Tami E. Scott, Administrative Services Director

available online at
www.cathedralcity.gov

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INTRODUCTION



City of Cathedral City, California



City of Cathedral City, California

**Department of Finance**

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December 27, 2018

Citizens of the City of Cathedral City,
Honorable Mayor, and
Honorable Members of City Council

Within six months of the close of each fiscal year, state law requires the City of Cathedral City (City) to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is prepared by the Finance Department according to Municipal Code, Section 2.12.040. Pursuant to the requirements, I hereby issue the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the City. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To provide a reasonable basis for making those representations, City management has established a comprehensive internal control framework designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Lance, Soll, & Lunghard, LLP, a statewide firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance the financial statements of the City are free of material misstatement for the fiscal year ended June 30, 2018. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall presentation. Based upon the audit, the independent auditors concluded there was a reasonable basis for rendering an unmodified opinion on the City's basic financial statements as of and for the year ended June 30, 2018. The independent auditor's report is presented as the first component of the financial section of this report.

THE REPORT

The CAFR is presented in three major sections:

- The **Introduction** section includes this letter of transmittal, identification of the City's principal officials, the City's organization chart, and the Government Finance Officers Association awards received by the City.
- The **Financial** section includes the report of the independent auditors, Management's Discussion and Analysis (MD&A), the basic financial statements, including the government-wide financial statements comprised of the Statement of Net Position and the Statement of Activities and the accompanying notes to the financial statements. The Financial Section also includes the fund financial statements, which include the governmental funds financial statements, the proprietary funds financial statements, the fiduciary funds financial statements, and the combining individual funds financial statements for the nonmajor governmental funds and the internal service funds. Required supplementary information other than the MD&A is also included in the financial section.
- The **Statistical** section includes selected financial and demographic information, on a multi-year basis.

This transmittal letter is designed to complement the MD&A and should be read in conjunction with the MD&A.

This CAFR includes all funds of the City. The City provides the full range of municipal services as contemplated by statute. Services provided include public safety (police and fire protection), public works (maintenance of streets, grounds, parks, and facilities), community development (building, planning, engineering and code compliance), city management including city clerk, human resources, economic development and community events, and general administrative support to include finance and management information systems. The CAFR also includes the City's component units, which are legally separate organizations and for which the City is financially accountable or whose relationship with the City is of a nature and significance that would cause the City's financial statements to be incomplete were they not included.

The budget serves as the foundation for the City's financial planning and control. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the budget approved by the City Council. To achieve time and cost efficiencies over a traditional annual budget, the City prepares and adopts a biennial budget for two separate fiscal years. Under this cycle, the second year does not require formal adoption by City Council. Each year is separate and distinct. Unencumbered funds from the first year do not carry over into the second year. City Council adopted the biennial budget for fiscal years 2017/18 and 2018/19 on May 10, 2017.

The City Manager and the Administrative Services Director prepare and submit the budget to the City Council and administer it after adoption. The City Manager or the Administrative Services Director is authorized to adjust appropriations within each department or activity, while ensuring those adjustments do not exceed the amounts approved in the budget or any amending orders or resolutions approved by the governing body.

Management can make transfers between departments as long as expenditures do not exceed appropriations at the fund level. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. For each fund, total expenditures may not legally exceed total appropriations.

In addition to the financial audit, the City undertakes a single audit in conformance with the uniform administrative requirements, cost principles and audit requirement for federal awards (Uniform Guidance). The results of this single audit, including a schedule of expenditures of federal awards, and the independent auditor's reports on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards, are available in the City's separately issued single audit report.

CITY PROFILE

Incorporated in 1981, Cathedral City is conveniently located 110 miles east of Los Angeles and 130 miles northeast of San Diego. The City is a business and resort community located in the heart of the Coachella Valley conveniently located between Palm Springs and Rancho Mirage in eastern Riverside County. With a diverse population of more than 54,791, Cathedral City is the second-largest city in the Coachella Valley. Occupying a land area of approximately 31 square miles at an elevation of 400 feet above sea level, the City boasts an ideal climate of 350 sunny days a year. The City offers clean air, scenic beauty and unlimited leisure activities, housing options and business opportunities. Colonel Henry Washington discovered Cathedral City in 1850, naming it after nearby rock formations resembling a grand cathedral. The City is proud of its cultural diversity and rich history. The Agua Caliente Band of Cahuilla Indians established their reservation in 1876, and the City housed its first subdivision in 1925.



Cathedral City is an ideal base from which to enjoy all that sunny Southern California has to offer. Conveniently located off the I -10 freeway and less than five miles from the Palm Springs Airport, Cathedral City boasts the greatest amount of family friendly recreational activities in the Coachella Valley, including the Desert Ice Castle (the only ice skating rink in the Coachella Valley) where Olympic athletes train; Boomers (miniature golf, bumper cars & batting cage); a 17-acre soccer park, where State championships have been held; Big League Dreams Sports Park, which hosts NCAA Women's softball each winter; and three top-notch golf courses. One of the most visually capturing and historically rich pieces of art in the City is the "Fountain of Life" located in Town Square. Featuring mosaic tiles, stone sculptures, and a "spray ground," the fountain provides beauty and a place for adults and children to cool off in the summer's heat. Residents and visitors can also enjoy dinner and a movie at the Mary Pickford Theater or Desert Cinema, which houses the largest movie screen in the Coachella Valley.

The City offers public, private, and charter K-12 and preschools and is part of the Palm Springs Unified School District. The University of California at Riverside and California State University San Bernardino, which both have local campuses, and the College of the Desert are all located within 9 miles. Residents also have access to outstanding healthcare at the Eisenhower Medical Center and the Desert Regional Medical Center, which includes a trauma center.

The City is a charter city operating under the council-manager form of government. Policymaking and legislative authority are vested in a City Council comprised of the Mayor and four other Council members. The City Council is responsible, among other things, for passing ordinances, adopting minute orders and resolutions (such as the budget), appointing committees, and hiring both the City Manager and City Attorney. The City Council is elected on a nonpartisan basis. Council members serve four-year staggered terms, with three Council members elected in 2018, and two council members elected in 2020. The Mayor is appointed by the City Council to serve a one-year rotating term.

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of two blended component units: The Cathedral City Public Financing Authority and the Cathedral City Community Services District. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and for appointing the various department heads.

ECONOMIC CONDITIONS

SALES TAX AND TRANSACTIONS & USE TAX

Sales Tax and Use Tax is the City's lifeblood. In fiscal year 2017/18, it accounted for over 44% of the City's tax revenues and over 34% of the City's traditional General Fund (Fund 100) revenues. Since the 2007-2009 recession, sales tax has shown steady increases as the national and local economies demonstrate continued improvement. Coming out of the Great Recession in fiscal year 2010/11 to fiscal year 2017/18, sales tax and use tax has increased more than \$5.7 million, or more than 60.0%.

CANNABIS AND MARIJUANA TAX

The City of Cathedral City has welcomed the cannabis and marijuana industry as a new business cluster. With significant foresight and preparation leading up to accepting applications starting April 1, 2016, new ordinances and resolutions were introduced and passed by our City Council. During the first 2+ years, more than 75 applications were received for cannabis and marijuana dispensaries, cultivators, and manufacturers. In fiscal year 2017/18, the City has seen 12 dispensaries and 12 cultivation sites, and 5 manufacturing sites open resulting in more than \$1.8 million in tax revenue. In the upcoming fiscal year (18/19), we anticipate more manufacturing sites to open within our city limits resulting in an estimated \$2.5 million in annual revenues.

EVENTS, EVENTS AND MORE EVENTS

Cathedral City has become the destination for events. The City's three Signature Events include the Balloon Festival (November), the Taste of Jalisco (February), and Lesbian, Gay, Bisexual and Transgender (LGBT) Days. During this past fiscal year, we have seen the introduction of a 4th signature event, The Tejano Musical Festival in September. There were 13 other events throughout the year, such as the ever-popular Kidapalooza, celebrated on Easter Sunday to include a 20,000 Easter Egg Hunt on the City's festival lawn and town square as well as the annual holiday tree lighting (Snowfest) program with Santa.

TRANSIENT OCCUPANCY TAX (TOT)

With the various City events and Coachella Valley activities throughout the year, Cathedral City continues to attract more visitors to our city. The City's TOT (hotel tax) increased more than \$650,000 from fiscal year 2016/17 to fiscal year 2017/18. The City met this increased demand of visitors needing lodging through the following means: (1) a full year for the new Staybridge Suites Cathedral City Golf Resort at 30th Avenue near Landau Boulevard; (2) continued success for the transformed DoubleTree Golf Resort Palm Springs at Vista Chino and Landau Boulevard; and (3) a 28% increase in short-term vacation rental (STVR) revenues. During this past year, the City continued to review and refine our existing processes, policies, and municipal code to ensure positive reinforcement through the corresponding four pillars of our Good Neighbor Brochure to include enforcement of neighborly practices for noise, parking, occupancy and trash issues. The primary result ensures visitors have a pleasant experience while visiting our city and our permanent residents have a positive experience with their "visiting" neighbors.

CONSTRUCTION PROJECTS/ROAD IMPROVEMENTS

This past year has seen the completion of significant park and road rehabilitation and improvements in Cathedral City to include:

- Date Palm Bridge Widening
- Whitewater Bike Trail (2.3 mile stretch of the Coachella Valley (CV) Link)
- Cove neighborhood (Assessment District 2004-02)
- McCallum Way (including portions of Assessment Districts 85-1 and 86-1),
- Rio Vista neighborhood (Assessment District 96-1)
- 30th Avenue, including portions of (Assessment Districts 88-3 and 01-01)



RESIDENTIAL CONSTRUCTION

With being a post-Proposition 13 city incorporated after 1978, Cathedral City did not have a separate property tax rate prior to the voter enactment of Proposition 13, the City cannot impose one without a vote of the citizens. Therefore, additional property tax revenues generated by development projects within the city, but not within the boundaries of the former redevelopment agency, are not remitted to the City's General Fund. Instead, the taxes are remitted to other taxing agencies such as Riverside County, school districts, and special districts. As a result, the City's General Fund generally receives approximately \$4.5 million, or just 10%, of its total revenue from property tax on an annual basis.

The local housing market in Cathedral City continues to maintain an increase in home values along with new residential construction and a decline in lender owned (foreclosure) properties, which demonstrates the housing market is transitioning toward a healthier marketplace. Although additional housing units increase the amount of property tax the City receives, there is an even greater impact on the City's sales tax revenues. Generally, new construction is a strong economic driver because growth in this sector usually affects other industries, such as retail, wholesale trade and transportation services.

During fiscal year 2017/18, the City continued to see more residential housing units in various locations throughout the city. The City issued 68 residential construction/building permits in two primary developments and neighborhoods:

- Desert Princess Homes at Desert Princess Country Club near Vista Chino and Landau Boulevard
- The District at Cree Road and Jones Road
- Various infill (empty) lots in City neighborhoods

COMMUNITY ASSISTANCE

In fiscal year 2017/18, the City Council continued the existing community assistance program supporting the local Boys & Girls Club, the Senior Center and a regional homeless program to become a more comprehensive program where non-profits and governmental agencies are asked to apply for the upcoming fiscal year. In doing so, the City Council reviews all applications and makes funding decisions at the same time rather than making those decisions on a case-by-case basis. For the current year, 14 recipients received a total allocation of \$28,500. In future years, these and other applicants apply/reapply each year to compete for individual awards ranging from \$1,000 to \$3,000 per organization per year.

LONG-TERM FINANCIAL PLANNING

Although the City continues to recover from the recession, it is still necessary for the City to take actions to minimize the impact to the City's ability to provide vital community services. To mitigate the potential risk of another downturn in the economy, it is essential we grow our fund balance "savings account".

Of the available fund balance, the City currently strives to set aside a minimum of 33% of budgeted expenditures and transfers out, with a target of 50% by fiscal year 2020, for the following purposes: (1) cash flow reserves (50%); (2) economic uncertainties (40%); and (3) budget-related reserves (10%). These amounts are to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. At the end of fiscal year 2017/18, the City's General Fund (Fund 100) fund balance is almost \$22 million representing 47.4% of budgeted expenditures for the upcoming fiscal year (18/19).

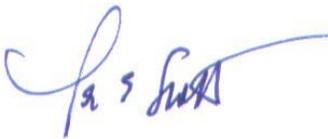
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. GAAP and applicable legal requirements. This was the thirteenth consecutive year the City has achieved this prestigious national award. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe this year's 2017/18 CAFR continues to conform to the Certificate of Achievement program requirements and will submit it to GFOA to determine its eligibility for another certificate.

Additionally, GFOA presented a Distinguished Budget Presentation Award to the City for its biennial budget for the two-year period beginning July 1, 2017. To qualify for this award, the governmental unit must publish an approved budget meeting program criteria and minimum standards as a policy document, an operations guide, a financial plan, and a communications device.

The preparation of this CAFR could not have been accomplished without the skill, effort and dedication of the entire staff of the Finance Department. Other City departments were also instrumental in providing the data necessary to prepare this report. Their cooperation and continued assistance is necessary and appreciated. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances. Finally, I also want to acknowledge the thorough and professional manner in which our independent auditors, Lance, Soll & Lunghard, LLP, conducted their audit.

Respectfully submitted,



Tami E. Scott
Administrative Services Director

CITY COUNCIL



Stan Henry
Mayor



Cathedral City



Greg Pettis
Mayor Pro Tem



John Aguilar
Council Member



Mark Carnevale
Council Member



Shelley Kaplan
Council Member

OTHER ELECTED OFFICIALS

City Clerk Tracey R. Martinez, CMC

City Treasurer Henry Chan

ADMINISTRATIVE OFFICIALS

City Manager Charles McClendon

City Attorney Eric Vail (Burke, Williams & Sorenson, LLP)

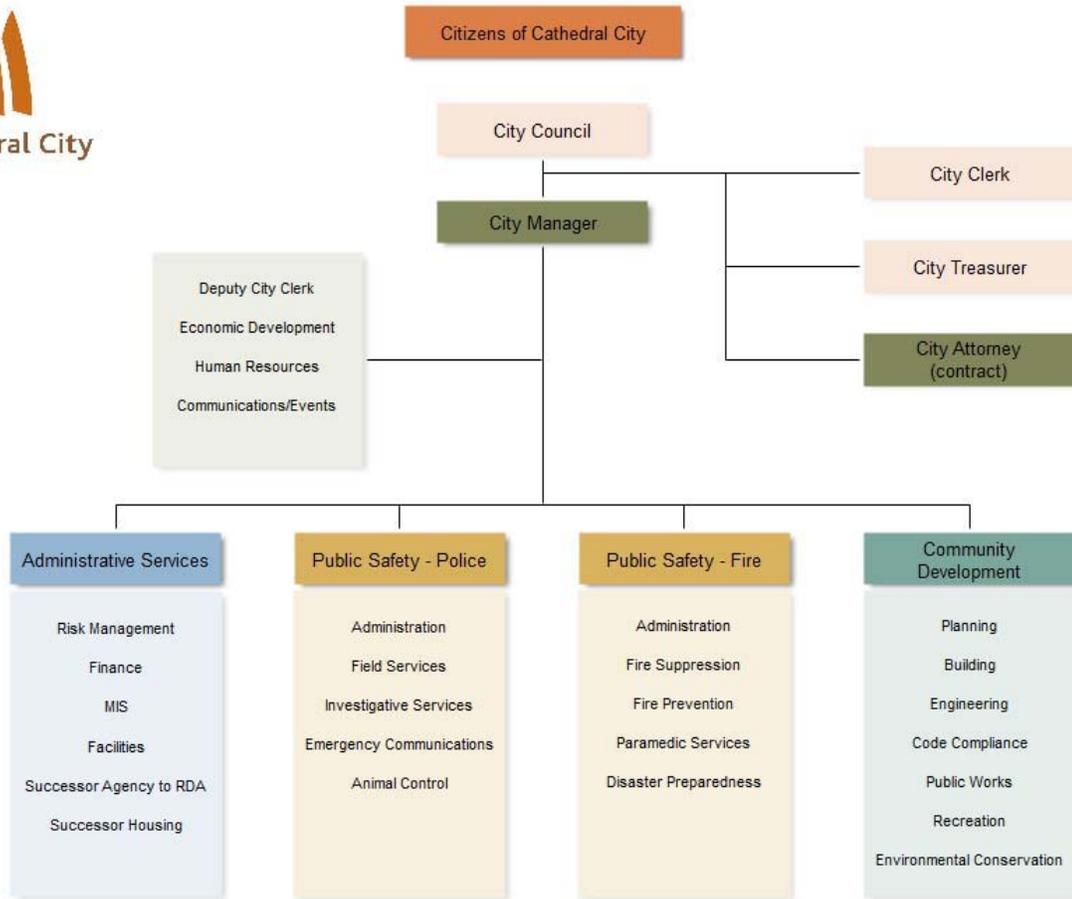
Administrative Services Director Tami E. Scott

Community Development Director Pat Milos

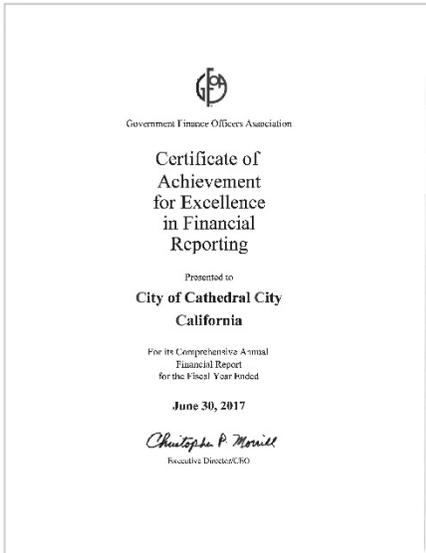
Economic Development Director Stone James

Police Chief Travis Walker

Fire Chief Paul Wilson



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



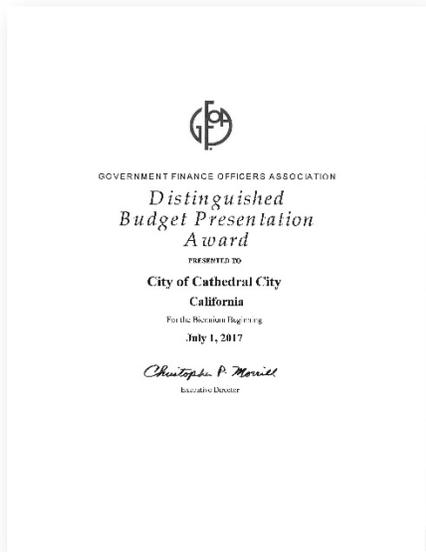
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cathedral City for its comprehensive annual financial report for the fiscal year ended June 30, 2017.

The Certificate of Achievement for Excellence in Financial Reporting program was established to encourage municipal governments to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

To be awarded the certificate, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Certificate of Achievement for Excellence in Financial Reporting award is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement for Excellence in Financial Reporting requirements and we are submitting it to GFOA for their consideration.

DISTINGUISHED BUDGET PRESENTATION AWARD



The GFOA presented a Distinguished Budget Presentation Award to the City of Cathedral City for its biennial budget for the biennium beginning July 1, 2017. To receive this award, a governmental unit must publish a budget document meeting program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The Distinguished Budget Presentation Awards Program is specifically designed to encourage state and local governments to prepare and issue budget documents of the highest quality. Top-quality documents are essential if citizens and others with an interest in a government's finances are to be fully informed participants in the budget process. Better budget documents contribute to better decision making and enhanced accountability.

The Distinguished Budget Presentation Awards Program allows the public finance profession a welcome opportunity to recognize those governments that have, in fact, succeeded in preparing a high quality budget document.

FINANCIAL



City of Cathedral City, California



City of Cathedral City, California



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Cathedral City, 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 Cathedral City, California, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.





To the Honorable Mayor and Members of the City Council
City of Cathedral City, California

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 of Cathedral City, California, as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the City adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management discussion and analysis, the budgetary comparison schedule for the General Fund, the Developer Fees Fund, and the Successor Housing Agency Fund, the schedule of the City's proportionate share of the net pension liability, the schedule of contributions, and the schedule of changes in total OPEB liability and related ratios 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, combining and individual nonmajor fund financial statements and schedules, 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 and the schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



CPA's AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Cathedral City, California

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Luyhard, LLP". The signature is written in a cursive, flowing style.

Brea, California
December 27, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Cathedral City, California



City of Cathedral City, California

As management of the City of Cathedral City ("City"), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal. The focus of the information presented here is on the primary government.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,768,395 (net position). Unrestricted net position, which may be used to meet the City's ongoing obligations, was -\$209,365,180 at year end.
- The City's net position decreased by \$22,694,502 from the beginning net position primarily due to increases in expenditures related to street rehabilitation projects taking place throughout the City, increases to staffing outpacing the increase in total revenues, and the implementation of GASB 75.
- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$96,270,319, a decrease of \$10,414,659 from the prior year. A total of \$20,076,455, or 20.8%, of the fund balance is categorized as unassigned. This amount has been set aside for cash flow reserves, future economic uncertainties, and budget reserves.
- At the end of the current fiscal year, fund balance of the General Fund (Fund 100) was \$21,999,152, which represents 49.6% of General Fund (Fund 100) budgeted expenditures in FY 18/19, including transfers out. The \$21,999,152 is set aside for cash flow reserves, future economic uncertainties, and budget reserves in accordance with the fund balance policy approved in September 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information, which is intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a similar manner to a private-sector business.

The Statement of Net Position presents financial information on the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation and sick leave).

Other nonfinancial factors, such as changes in the City's property tax base, the condition of its roads, etc. need to be considered when assessing the overall health of the City.

Governmental activities report the City's basic services, which include general government, community development, culture and recreation, public safety, and public works. These activities are generally supported by taxes and intergovernmental revenues.

Business-type activities report activities intended to recover all or a significant portion of their costs through user fees and charges. The City does not report any business-type activity.

The government-wide financial statements include not only the City itself (referred to as the primary government), but also other legally separate entities for which the City is financially accountable. The Cathedral City Public Financing Authority and the Cathedral City Community Services District are legally separate component units. These component units, while legally separate from the City, provide services entirely to or almost exclusively for the benefit of the City even though they do not provide services directly. Although legally separate from the City, financial information for these component units is blended with the City because of its exercise of authority and their financial relationships with the City.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements are designed to report information about these groupings of related accounts. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported 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 on the balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view assisting the reader to determine whether there are more or fewer financial resources that can be spent in the short-term. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided reconciling the governmental fund financial statements to the government-wide statements explaining the relationship (or differences) between them.

The City maintains individual governmental funds organized according to their type: special revenue, debt service, and capital projects. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, two special revenue funds (Developer Fees and Successor to Housing Agency), a debt service fund (Public Financing Authority) and a capital projects fund (Areawide Capital Projects). These funds are classified as major funds. Data from the remaining governmental funds are classified as nonmajor funds and are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopted a biennial appropriated budget prepared on the modified accrual basis of accounting for fiscal years 2017/18 and 2018/19. Appropriated funds included the General Fund and special revenue funds. Budgetary comparison schedules have been provided in the required supplementary information for the General Fund and major special revenue funds to demonstrate compliance with the budget in accordance with U.S. GAAP.

Proprietary funds are comprised of enterprise funds and internal service funds. Enterprise funds are the same as the business-type activities that would be reported in the government-wide financial statements, but provide more detail and additional information, such as cash flows. The City does not report any enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City currently reports the following internal service funds: Equipment Replacement, Insurance, Technology and Facilities. The internal service funds provide services predominantly benefiting governmental rather than business-type functions. They have been included within governmental activities with an adjustment to reflect the consolidation for internal service fund activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The four internal service funds are combined into a single, aggregated presentation. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held by the City on the behalf of outside parties, including other governments. The City utilizes two different types of fiduciary funds: private-purpose trust funds and agency funds. The private-purpose trust funds are used to report resources held in trust to pay enforceable obligations of the former redevelopment agency. The agency funds report resources held by the City in a custodial capacity for special assessment district resources to pay debt service.

Fiduciary funds are not reported in the government-wide financial statements because the resources for those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The **notes to basic financial statements** provide additional information necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information concerning the City's budgetary comparison schedules.

The combining statements supplementary information referred to earlier in connection with nonmajor funds, internal service funds, and fiduciary funds are presented immediately following the budgetary comparison required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,768,395.

A portion of the City's net position, -\$209,365,180, is unrestricted and if positive, could be used to meet the City's ongoing financial obligations. This portion represents resources not restricted by external requirements or invested in capital assets.

Net position of \$158,754,814 includes investment in capital assets (e.g., land, buildings, structures, infrastructure, vehicles, furniture and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net positions of the City also include \$81,378,761 of restricted net position. These are resources subject to external restrictions as to how they may be used by the City.

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Table 1 summarizes the City's net position (dollars in thousands) as of June 30, 2018 and 2017.

Table 1

Net Position

(dollars in thousands)

	Primary Government Governmental Activities		Change
	2018	2017	
Current and other assets	\$ 133,316	133,097	219
Capital assets	<u>159,017</u>	<u>148,879</u>	<u>10,138</u>
Total assets	292,333	281,976	10,357
Deferred outflows for pensions and OPEB	<u>15,622</u>	<u>9,187</u>	<u>6,435</u>
Total deferred outflows of resources	15,622	9,187	6,435
Noncurrent liabilities	254,067	224,151	29,916
Other liabilities	<u>11,140</u>	<u>8,078</u>	<u>3,062</u>
Total liabilities	265,207	232,229	32,978
Deferred inflows for pensions and OPEB	<u>11,980</u>	<u>5,471</u>	<u>6,509</u>
Total deferred inflows of resources	11,980	5,471	6,509
Net investment in capital assets	158,755	148,362	10,393
Restricted	81,378	86,986	(5,608)
Unrestricted (deficit)	<u>(209,365)</u>	<u>(181,885)</u>	<u>(27,480)</u>
Total net position	\$ 30,768	53,463	(22,695)

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Table 2 summarizes the City's changes in net position (dollars in thousands) for the years ended June 30, 2018 and 2017.

Table 2
Changes in Net Position
(dollars in thousands)

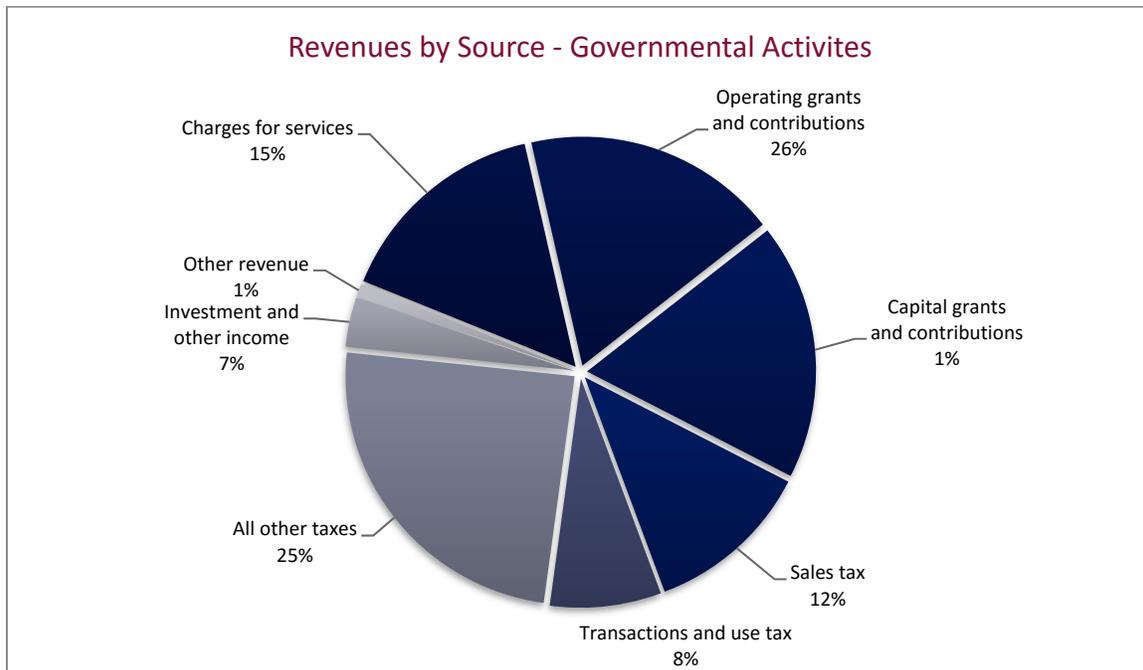
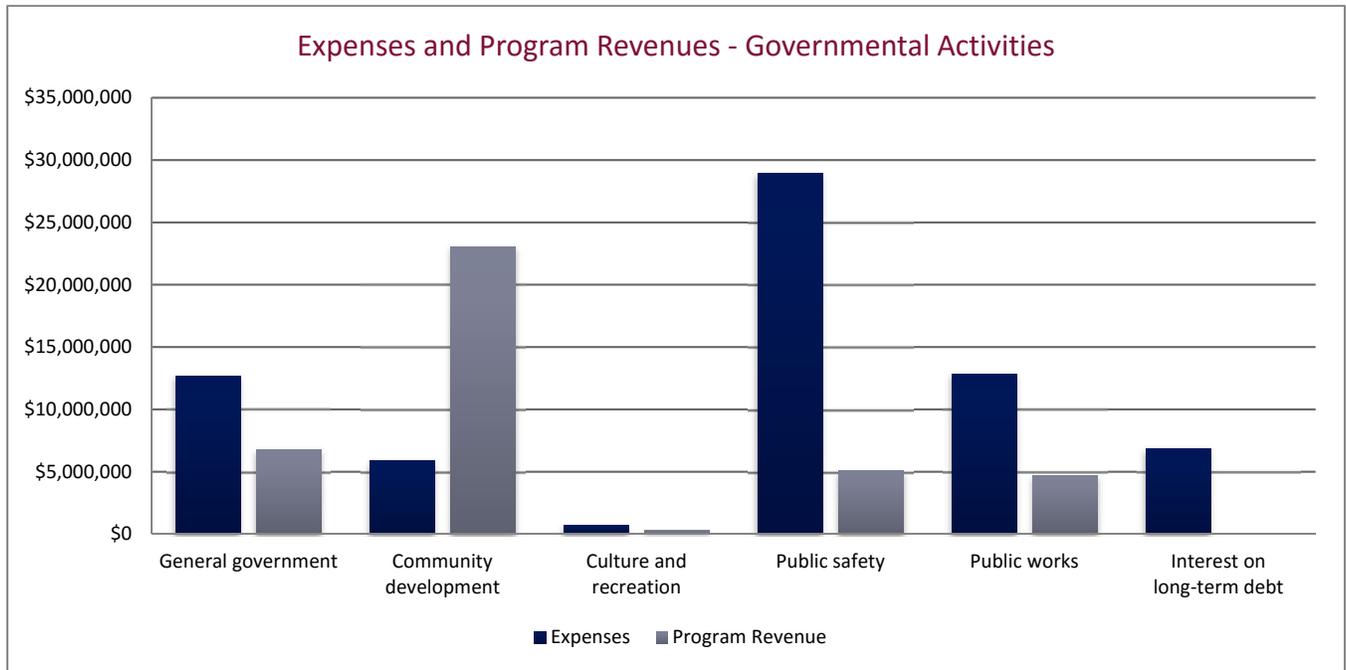
	Primary Government Governmental Activities		Change
	2018	2017	
Program revenues:			
Charges for services	\$ 11,908	8,734	3,174
Operating grants and contributions	14,023	11,636	2,387
Capital grants and contributions	14,097	2,998	11,099
General revenues:			
Taxes:			
Cannabis/marijuana tax	1,894	450	1,444
Franchise tax	2,114	2,146	(32)
Property tax	8,626	7,869	757
Sales tax	9,154	8,821	332
Transaction and use tax	6,105	5,658	447
Transient occupancy/timeshare developer	3,726	3,070	656
Utility users tax	2,699	2,717	(18)
Investment and interest income	2,713	5,117	(2,404)
Other revenue	747	1,357	(610)
Total revenues	77,806	60,573	17,233
Expenses:			
General government	12,685	12,378	307
Community development	5,864	12,929	(7,065)
Culture and recreation	728	979	(251)
Public safety	28,948	26,663	2,285
Public works	12,860	8,971	3,889
Interest on long-term debt	6,852	7,090	(238)
Total expenses	67,937	69,010	(1,073)
Revenues over (under) expenses	9,869	(8,437)	18,306
Change in net position	9,869	(8,437)	18,306
Net position – July 1	53,463	61,900	(8,437)
Restatement	(32,564)	0	(32,564)
Net position – June 30	\$ 30,768	53,463	(22,695)

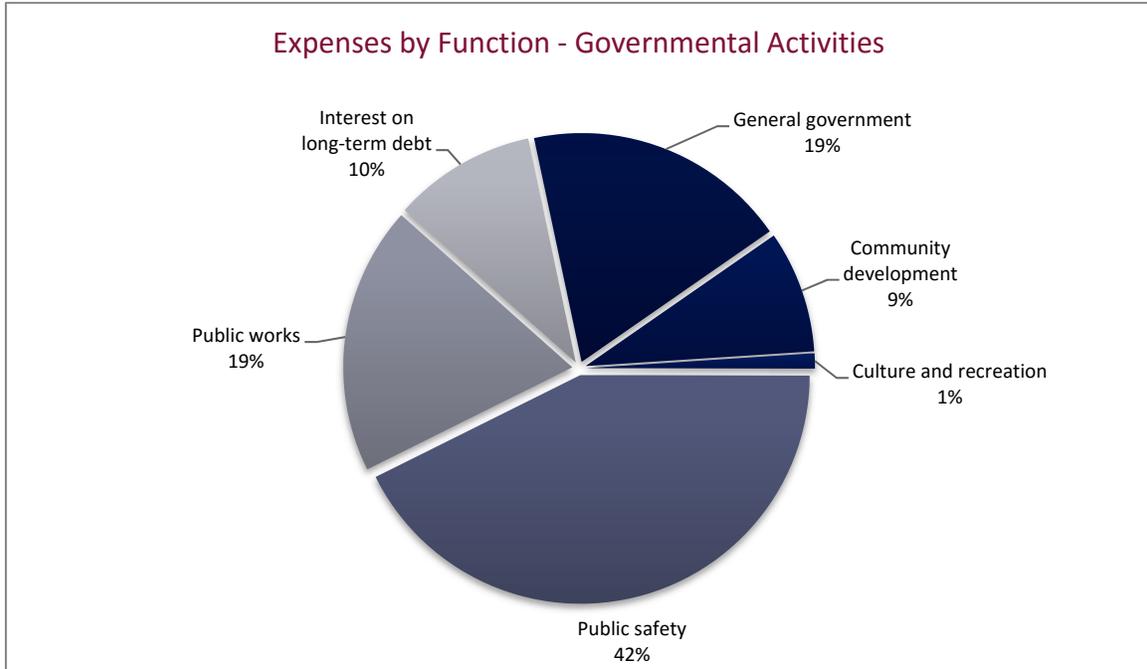
Governmental activities decreased the City's net position by \$-22,695, for the fiscal year ended June 30, 2018. Key elements of the decrease are as follows:

- Charges for services increased \$3,174,402 from the prior year. The most significant changes were: (a) increases of \$353,665 in plan check fees, and \$527,218 in various licenses and permits from increased development; and (b) increases in paramedic service fees and police services reimbursements of \$279,124 and \$54,574, respectively.
- Capital grants and contributions increased \$11,098,726 from the prior year. The increase was mainly attributable to increased reimbursement for capital projects during the current year, the most significant being the Date Palm Bridge Widening Project accounted for additional increases of \$9,841,745 from the prior year.
- Property taxes increased \$756,734 (9.6%) from the prior year. The increase was mainly attributable to an increase in assessed property valuations (5.2%). The sales tax category increased \$334,678 from the prior year. Transaction and use tax increase \$447,042 primarily due to more vehicle purchases being made by Cathedral City residents. Transient occupancy tax/timeshare developer fees increased \$655,370 from the prior year primarily as the result of a full year from a new hotel, continued increased occupancy rates for a newly renovated convention hotel, and significant increased ownership and consumer participation in the City's short-term vacation rental program. Cannabis/marijuana taxes increased \$1,444,367 from the prior year, primarily the result of opening additional dispensary, cultivation and (most recently) manufacturing facilities in the City, and recreational cannabis effective January 1, 2018 in the State of California. Other revenue decreased \$609,997 primarily as the result of only having one significant City-owned land sales transaction this year.

- Total expenses decreased by \$1,072,752 (1.6%) from fiscal year 2016/17 amounts. General Government, Public Safety and Public Works expenses increased by \$6,481,630 (13.5%) primarily from increased salary and benefit costs. General government expenses increased by \$306,839 (2.5%) primarily due to: (a) increased salaries/benefits costs; (b) increased costs related to pensions; and increased costs related to OPEB. Public safety expenses increased by \$2,285,182 (8.6%) primarily due to: (a) increased salaries/benefits costs; (b) increased costs related to pensions; and (c) increased costs related to OPEB. Public works expenses increased by \$3,889,609 (43.4%) primarily due to: (a) an increase in depreciation related to capital assets; (b) increased maintenance costs; (c) increased salaries/benefits costs, and (d) increased costs related to pensions. Interest on long-term debt remained relatively the same compared to the prior year.
- Public safety expenses in fiscal year 2017/18 were \$28,947,804 (42.6%) of total expenses. Other totals included: general government expenses of \$12,684,911 (18.7%), community development expenses of \$5,864,246 (8.6%), public works expenses of \$12,860,406 (18.9%), and interest on long-term debt of \$6,851,583 (10.1%). The remainder of the governmental activities expenses is comprised of culture and recreation with \$728,533 (1.1%).

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FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

GOVERNMENTAL FUNDS

The focus of the City’s governmental funds is to provide information on current year revenues, expenditures, and balances of spendable resources. Such information is useful in assessing the City’s near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. Unassigned fund balance represents the portion of fund balance that has not yet been limited for a specific purpose by either an external party, the City of Cathedral City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City Council.

As of June 30, 2018, the City’s governmental funds reported combining fund balances of \$96,270,319, a decrease of \$10,414,659 in comparison with the prior year. Approximately 20.8% or \$22,076,455 of the total fund balance amount constitutes unassigned fund balance. Of this amount, \$19,927,547 has been set aside for cash flow reserves, future economic uncertainties, and budget reserves in accordance with the updated fund balance policy approved in September 2014.

The General Fund is the chief operating fund of the City. For reporting purposes, the General Fund consists of three individual funds: the General Fund (Fund 100) and two special revenue funds that do not qualify to be reported as such. As of June 30, 2018, unassigned fund balance of the General Fund (Fund 100) was \$19,911,250 while total fund balance was \$21,999,152. The total unassigned fund balance of \$19,911,250 has been set aside for cash flow reserves, future economic uncertainties, and budget reserves in accordance with the updated fund balance policy approved in September 2014. As a measure of the General Fund’s (Fund 100) liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46.7% of total General Fund (Fund 100) expenditures, including transfers out, of \$42,659,837, while total fund balance represents 51.6% of the same amount.

The total fund balance of the City’s General Fund (Fund 100) increased by \$888,763, or 4.2%, during the year ended June 30, 2018. This year’s increase is mainly attributable to the City’s continuing growth of revenues.

Revenues increased in fiscal year 2017/18 from the previous year. General Fund (Fund 100) revenues increased by \$5,593,243, or 14.8%, from fiscal year 2016/17. Certain revenues in the General Fund (Fund 100) changing significantly from fiscal year 2016/17 to 2017/18 include:

- Taxes in general increased \$3,753,145 over the previous fiscal year. Specifically, property taxes increased \$502,882 mainly as the result of an increase in assessed property valuations (5.2%). The sales tax category increased \$334,678 compared to prior year. Transaction and use tax increased \$447,042 due to more vehicle purchases being made by Cathedral City residents. Transient occupancy tax/timeshare developer fees increased \$655,370 from the prior year and cannabis/marijuana taxes increased \$1,444,368 (321.0%) from the prior year, as a result of opening additional facilities in the City along with the start of recreational cannabis activities effective January 1, 2018.
- Charges for services increased \$3,174,402 from the prior year. The most significant changes were: (a) increases of \$353,665 in plan check fees, and \$527,218 in various licenses and permits due to increased development; and (b) increases in paramedic service fees and police services reimbursements of \$279,124 and \$54,574, respectively, and (c) an increase of \$192,536 in abatement reimbursements due to increased services provided.
- Intergovernmental revenues increased by \$50,162 mainly as the result of increased in-lieu vehicle license fees.
- Licenses and permits increased by \$527,217 from the prior year. Increases of approximately \$496,264 were attributable to increased development within the City. These included building/construction permits, engineering permits, alarm permits, TOT permits and cannabis and marijuana licenses.

Overall, General Fund (Fund 100) expenditures, including transfers out, increased by \$5,668,650, or 15.3%, from the previous fiscal year. The majority of the net increase is attributable to implementing a monthly allocation for other post employment benefits (OPEB), increases to salaries and benefits of existing employees as well as the addition of several new full-time positions and the related increases to insurance and other benefit costs.

The other major governmental funds include Developer Fees, Successor Housing Agency, Public Financing Authority, and Areawide Capital Projects.

The **Developer Fees** special revenue fund had a total fund balance of \$127,978. This amounts to a net increase in fund balance of \$34,182 during the current year. The net increase was the result of the general plan maintenance fees received and interest income. There were no significant expenditures utilizing these monies during the current year.

The **Successor Housing Agency** special revenue fund had a total fund balance of \$15,996,056. This amounts to a net decrease in fund balance of \$1,197,286 during the current year. Revenues decreased \$36,224 to \$165,661 while expenditures increased \$120,354 to \$261,154. The net decrease in revenues was mainly attributable to a decrease of \$46,114 in repayments from various loan programs (other revenue). The net increase in expenditures was generally attributable to the increase in maintenance and operations. The overall decrease in fund balance was the result of a loss on sale of assets held for distribution in the amount of \$1,101,793.

The **Public Financing Authority** debt service fund had a total fund balance of \$40,364,280. This amounts to a net decrease in fund balance of \$2,891,123 during the current year. Revenues decreased \$103,206 to \$10,069,073 while expenditures increased \$1,723,659 to \$13,337,260. The net decrease in revenues was related to a decrease of \$98,805 in the use of money and property resulting from the decrease in investments held in trust. The significant expenditure increase was related to the higher debt service payments compared to the prior year. No bonds were refunded during the current fiscal year.

The **Areawide Capital Projects** capital projects fund had a total fund balance of \$1,796,588. This amounts to a net decrease in fund balance of \$4,455,771 during the current year. Revenues increased \$9,232,261 to \$11,679,514 while expenditures increased \$12,839,459 to \$16,135,285. The \$4,455,771 net decrease in fund balance was mainly attributable to timing differences in government funding reimbursements (i.e., prior year unavailable revenue received in current year).

PROPRIETARY FUNDS

The City's proprietary funds (internal service funds) provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of all internal service funds increased \$1,910,198 to \$17,180,761 during the fiscal year. Operating revenues increased \$3,395,460 to \$11,683,578, while operating expenses increased \$2,542,936 to \$9,983,039. The net increase in revenues was mainly attributable to implementing a monthly allocation for other post employment benefits (OPEB) along with continuing insurance charges for employees and retirees above the monthly allowance. In addition, there were revenues related to monies received from other funds for vehicle purchases, technology improvements and facilities maintenance. The net increase in expenditures was generally attributable to the increase in additional PERS contributions and workers compensation insurance and increases in major medical insurance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund (Fund 100) original budget and the final amended budget include revisions to projected expenditures.

Original expenditure estimates, including transfers out, for fiscal year 2017/18, prepared in the spring of 2017, were based on anticipated outflows of resources at that time. Expenditures were increased \$80,831 to \$42,692,701 for the fiscal year ended June 30, 2018. The primary revision included was for an increase to the Fire Department's budget in the amount of \$331,960 for the corresponding General Fund allocation toward the addition of six firefighter paramedic positions funded under the Staffing for Adequate Fire and Emergency Response (SAFER) grant.

Differences between the final amended budget and actual revenues and expenditures are briefly summarized in the following section. The local economy has continued to grow, specifically with respect to cannabis and marijuana taxes and transient occupancy taxes.

Actual General Fund (Fund 100) revenues, including transfers in, were \$2,930,430 higher than the final budget for fiscal year 2017/18, or 7.2%, primarily due to most revenues performing better than anticipated. Significant differences between budget and actual revenues are highlighted below.

- Taxes exceeded budget estimates by \$446,873 as actual receipts were higher than projected for cannabis taxes and transient occupancy tax. Economic conditions were better than anticipated for both cannabis taxes and hotel taxes, as these two categories accounted for \$1,390,852 of the positive difference that was offset by other tax category shortfalls.
- Charges for services exceeded budget estimates by \$1,643,415 primarily due to receiving higher than anticipated labor reimbursement for police services and development projects; and increased planning, building and engineering fees.
- Licenses and permits exceeded budget estimates by \$597,058 as a result the increased development and economic growth within the City.
- Use of money and property exceeded budget estimates by \$75,864. The increase is attributable to: (a) increased quarterly cash and investment balances; and (b) better interest rates on Local Agency Investment Fund (LAIF) investments (1.90% at June 30, 2018 vs. 0.92% at June 30, 2017); and (c) higher than anticipated rental revenue.

CAPITAL ASSETS AND BONDED DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its governmental activities as of June 30, 2018, were \$159,016,748 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, structures, vehicles/equipment, infrastructure (bridges, streets, traffic signals, streetlights, etc.) and intangibles. The City's capital assets by type at June 30, 2018 and 2017 are summarized in **Table 3** (dollars in thousands).

Table 3
Capital Assets
(dollars in thousands)

	Primary Government		Change
	Governmental Activities		
	2018	2017	
Land	\$ 28,528	28,207	321
Construction in progress	22,083	5,818	16,265
Buildings and improvements	7,688	8,514	(826)
Structures and improvements	2,450	2,927	(477)
Vehicles, furniture and equipment	2,859	2,863	(4)
Infrastructure	95,409	100,551	(5,142)
Total	\$ 159,017	148,880	\$ 10,137

Major capital asset activity for the year ended June 30, 2018, included the following:

- Ramon Road Bridge and Roadway Widening (addition to construction in progress) – \$146,379
- Whitewater Channel Bike Trail (addition to construction in progress) – \$2,704,171
- Heritage Park (addition to construction in progress) - \$365,232
- Date Palm Bridge at Whitewater River (addition to construction in progress) - \$12,237,143
- Cathedral Canyon Bridge Whitewater River Low Flow Crossing (addition to construction in progress) – \$127,384
- Current year additions to construction in progress for projects completed during the year – \$3,763,803

Additional information on the City's capital asset activity for the year can be found in **Note III-D** in the notes to basic financial statements.

LONG-TERM DEBT

The City had total long-term debt of \$254,067,083 outstanding as of June 30, 2018. Of this amount, \$143,474,003 was capital improvements related (bonds and capital leases), \$105,580,557 was employee related (compensated absences, net pension liability and other postemployment benefits), and \$5,012,523 was risk management related (claims and judgments).

Outstanding long-term debt at June 30, 2018, and 2017, is summarized in **Table 4** (dollars in thousands). Additional information on the City's long-term debt for the year can be found **Note III-E** and **Note III-F** in the notes to the basic financial statements.

Table 4
Long-Term Debt
(dollars in thousands)

	Note Reference	Primary Government Governmental Activities		Change
		2018	2017	
Lease revenue bonds	III-F.1, III-F.4	\$ 3,081	3,322	(241)
Tax allocation bonds	III-F.2, III-F.4	106,231	108,889	(2,658)
Limited obligation bonds	III-F.3, III-F.4	33,900	37,410	(3,510)
Capital leases	III-E.1, III-F.4	262	518	(256)
Compensated absences	I-E.13, III-F.4	3,911	3,731	180
Net pension liability	III-F.4, IV-B	35,969	30,792	5,177
Other postemployment benefits	III-F.4, IV-C	65,700	36,132	29,568
Claims and judgments	III-F.4, IV-A	5,013	3,357	1,656
Total		\$ 254,067	224,151	\$ 29,916

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The adopted fiscal year 2018/19 budget for the General Fund (Fund 100) assumed a substantial increase in its revenues from the taxation of the cannabis/marijuana industry and stable growth in other areas of the local economy for ongoing revenues. These ongoing and new revenues, including transfers in, are budgeted to be \$44,024,142, which is an increase of \$2,717,427, or 6.6%, from the final fiscal year 2017/18 budget. However, this is \$286,460 less than, or a .65% decrease, from the fiscal year 2017/18 actual revenues. The increase in budgeted revenues is due to anticipation of receiving additional revenues from taxing cannabis/marijuana dispensing, cultivation and manufacturing, and continued growth to the transient occupancy tax for hotels, motels and short-term vacation rentals.

Expenditures and transfers out are projected to be \$45,991,450 in fiscal year 2018/19 based on the originally adopted budget. This represents an increase of \$2,569,603 from fiscal year 2017/18 actual amounts. Based on the original adopted budget, it is anticipated fund balance reserves will need to be used in fiscal year 2018/19; however, the City remains committed to sustaining General Fund reserves to an appropriate level as outlined in the updated fund balance policy adopted in September 2014.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the City of Cathedral City, Finance Department, 68-700 Avenida Lalo Guerrero, Cathedral City, CA 92234. The report is available online at www.cathedralcity.gov.

BASIC FINANCIAL STATEMENTS



City of Cathedral City, California



City of Cathedral City, California

Statement of Net Position

June 30, 2018

	Primary Government <u>Governmental Activities</u>
Assets	
Cash and investments	\$ 55,644,583
Accounts receivable	13,609,290
Interest receivable	298,875
Loans receivable	18,160,996
Inventories	30,867
Deposits	2,336,860
Prepays	132,629
Investments held in trust	35,350,279
Restricted cash and investments	5,135,620
Assets held for disposition	2,616,593
Capital assets:	
Not being depreciated	50,611,232
Being depreciated, net	108,405,516
Total Assets	<u>292,333,340</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	14,206,368
Deferred outflows related to OPEB	1,416,152
Total Deferred Outflows of Resources	<u>15,622,520</u>
Liabilities	
Accounts payable	6,171,738
Intergovernmental payable	19,246
Interest payable	2,590,966
Unearned revenue	1,831,557
Deposits	526,912
Noncurrent liabilities:	
Due within one year	8,565,934
Due in more than one year:	
Debt and other long-term liabilities	143,832,100
Net pension liability	35,969,049
Net other postemployment benefits obligation	65,700,000
Total Liabilities	<u>265,207,502</u>
Deferred Inflows of Resources	
Deferred outflows related to pensions	4,636,963
Deferred outflows related to OPEB	7,343,000
Total Deferred Inflows of Resources	<u>11,979,963</u>
Net Position	
Net investment in capital assets	158,754,814
Restricted for:	
Capital projects	11,161,470
Community development	21,392,990
Debt service	43,111,954
Public safety	645,724
Public works	5,066,623
Unrestricted	(209,365,180)
Total Net Position	<u>\$ 30,768,395</u>

See accompanying notes to basic financial statements.

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 12,684,911	5,781,095	1,018,723	-
Community development	5,864,246	1,165,821	8,447,705	13,457,782
Culture and recreation	728,533	-	-	335,868
Public safety	28,947,804	4,054,793	745,128	303,291
Public works	12,860,406	906,094	3,811,131	-
Interest on long-term debt	6,851,583	-	-	-
Total Governmental Activities	67,937,483	11,907,803	14,022,687	14,096,941
Total Primary Government	\$ 67,937,483	11,907,803	14,022,687	14,096,941

General Revenues:

Taxes:

- Cannabis/marijuana tax
- Franchise tax
- Property tax
- Sales tax
- Transactions and use tax
- Transient occupancy/timeshare developer
- Utility users tax

Investment and interest income

Other revenue

Total General Revenues

Change in net position

Net position — July 1, as previously stated

Restatement

Net position — July 1, as restated

Net position — June 30

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position	
Primary Government	
Governmental Activities	Functions/Programs
	Primary Government
	Governmental Activities:
	General government
	Community development
	Culture and recreation
	Public safety
	Public works
	Interest on long-term debt
	Total Governmental Activities
	Total Primary Government
	General Revenues:
	Taxes:
	Cannabis/marijuana tax
	Franchise tax
	Property tax
	Sales tax
	Transactions and use tax
	Transient occupancy/timeshare developer
	Utility users tax
	Investment and interest income
	Other revenue
	Total General Revenues
	Change in net position
	Net position — July 1, as previously stated
	Restatement
	Net position — June 30
(5,885,093)	
17,207,062	
(392,665)	
(23,844,592)	
(8,143,181)	
(6,851,583)	
(27,910,052)	
(27,910,052)	
1,894,238	
2,114,282	
8,625,933	
9,154,570	
6,104,682	
3,726,004	
2,699,472	
2,713,280	
746,838	
37,779,299	
9,869,247	
53,462,897	
(32,563,749)	
20,899,148	
\$ 30,768,395	

Balance Sheet — Governmental Funds

June 30, 2018

	General	Special Revenue		Debt Service
		Developer Fees	Successor Housing Agency	Public Financing Authority
Assets				
Cash and investments	\$ 18,956,233	1,688,208	3,882,497	7,783
Receivables:				
Interest	146,424	7,488	17,483	35
Accounts	4,445,005	-	-	-
Loans	6,156,308	-	12,004,688	-
Prepaid assets	16,298	-	-	-
Investments held in trust	-	-	-	35,350,279
Restricted assets:				
Cash and investments with fiscal agent	-	-	-	5,006,183
Assets held for disposition	-	-	2,616,593	-
Total Assets	\$ 29,720,268	1,695,696	18,521,261	40,364,280
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,198,043	1,793	8,959	-
Intergovernmental payable	5,775	-	-	-
Deposits from others	526,912	-	-	-
Unearned revenue	258,681	1,565,925	-	-
Total Liabilities	2,989,411	1,567,718	8,959	-
Deferred Inflows of Resources:				
Unavailable revenue	1,010,526	-	2,516,246	-
Total Deferred Inflows of Resources	1,010,526	-	2,516,246	-
Fund Balances:				
Nonspendable	16,298	-	-	-
Restricted	2,797,674	127,978	15,996,056	40,364,280
Assigned	2,829,904	-	-	-
Unassigned	20,076,455	-	-	-
Total Fund Balances	25,720,331	127,978	15,996,056	40,364,280
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 29,720,268	1,695,696	18,521,261	40,364,280

See accompanying notes to basic financial statements.

<u>Capital Projects</u>			
<u>Areawide Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
2,441,698	11,725,581	38,702,000	Assets
10,833	41,898	224,161	Cash and investments
8,324,052	729,927	13,498,984	Receivables:
-	-	18,160,996	Interest
-	1,755	18,053	Accounts
-	-	35,350,279	Loans
-	-		Prepaid assets
-	129,437	5,135,620	Investments held in trust
-	-	2,616,593	Restricted assets:
10,776,583	12,628,598	113,706,686	Cash and investments with fiscal agent
			Assets held for disposition
			Total Assets
			Liabilities, Deferred Inflows of Resources, and Fund Balances
			Liabilities:
3,477,704	335,724	6,022,223	Accounts payable
-	13,471	19,246	Intergovernmental payable
-	-	526,912	Deposits from others
-	-	1,824,606	Unearned revenue
3,477,704	349,195	8,392,987	Total Liabilities
			Deferred Inflows of Resources:
5,502,291	14,317	9,043,380	Unavailable revenue
5,502,291	14,317	9,043,380	Total Deferred Inflows of Resources
			Fund Balances:
-	1,755	18,053	Nonspendable
1,796,588	12,263,331	73,345,907	Restricted
-	-	2,829,904	Assigned
-	-	20,076,455	Unassigned
1,796,588	12,265,086	96,270,319	Total Fund Balances
10,776,583	12,628,598	113,706,686	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Reconciliation of the Balance Sheet — Governmental Funds to the Statement of Net Position

June 30, 2018

Total fund balances - governmental funds **\$ 96,270,319**

Amounts reported for governmental activities in the Statement of Net Position are different because:

- Capital assets used in governmental activities, excluding internal service funds of \$2,739,844, are not financial resources, and therefore, are not reported in the funds.

Capital assets, at historical cost	274,173,812
Accumulated depreciation	(117,896,908)

- Accrued interest payable not included in the funds. (2,590,966)

- Deferred inflow s of resources represent the acquisition of net position that applies to a future period and will not be recognized as an inflow of resources on the government-wide financial statements until then. Deferred outflow s of resources represent the consumption of net position that applies to a future period and will not be recognized as an outflow of resources on the government-wide financial statements until then.

Deferred inflow s - unavailable revenues recognized under the accrual method of accounting	9,043,380
Deferred inflow s - changes in assumptions	(7,884,903)
Deferred inflow s - differences between actual and expected experience	(348,510)
Deferred inflow s - differences between the employer's contributions and the employer's proportionate share of contributions	(851,064)
Deferred inflow s - changes in employer's proportion	(2,895,486)
Deferred outflow s - contributions subsequent to measurement date	5,985,959
Deferred outflow s - differences between actual and expected experience	349,780
Deferred outflow s - differences between the employer's contributions and the employer's proportionate share of contributions	441,340
Deferred outflow s - changes in assumptions	7,077,124
Deferred outflow s - changes in employer's proportion	206,797
Deferred outflow s - net difference between projected and actual earnings on plan investments	1,561,520

- Internal service funds are used by management to charge the costs of these funds to their primary users governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 17,180,761

- Long-term liabilities are not due and payable in the current period and therefore, not reported in the governmental funds (this excludes internal service fund liabilities of \$2,977,024).

Bonds and capital leases	(143,335,532)
Bond premium	(138,471)
Compensated absences	(3,911,508)
Net pension liability	(35,969,049)
Other post employment benefits (OPEB)	(65,700,000)

Net position of governmental activities **\$ 30,768,395**

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Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds

For the Year Ended June 30, 2018

	General	Special Revenue		Debt Service
		Developer Fees	Successor Housing Agency	Public Financing Authority
Revenues				
Taxes	\$ 34,319,181	-	-	-
Intergovernmental	117,919	-	-	-
Licenses and permits	1,876,558	-	-	-
Fines and forfeitures	138,542	-	-	-
Charges for services	5,802,638	-	-	-
Special assessments	116,728	-	-	-
Development fees	-	522,798	-	-
Use of money and property	507,632	631	40,316	2,004,722
Contributions from other governments	533,216	-	-	8,064,351
Other revenue	218,606	-	125,345	-
Total Revenues	43,631,020	523,429	165,661	10,069,073
Expenditures				
Current:				
General government	10,795,178	-	-	-
Community development	3,445,211	126,701	261,154	5,100
Culture and recreation	458,128	-	-	-
Public safety	26,520,138	-	-	-
Public works	743,523	-	-	-
Capital outlay	-	489,247	-	-
Debt service:				
Principal	255,897	-	-	6,776,000
Interest	21,842	-	-	6,556,160
Total Expenditures	42,239,917	615,948	261,154	13,337,260
Excess (deficiency) of revenues over (under) expenditures	1,391,103	(92,519)	(95,493)	(3,268,187)
Other Financing Sources (Uses)				
Transfers in	-	126,701	-	377,064
Transfers out	(798,834)	-	-	-
Proceeds from sale of capital assets	126,848	-	-	-
Total Other Financing Sources (Uses)	(671,986)	126,701	-	377,064
Special Item				
Loss on sale of assets held for disposition	-	-	(1,101,793)	-
Net change in fund balances	719,117	34,182	(1,197,286)	(2,891,123)
Fund balances — July 1	25,001,214	93,796	17,193,342	43,255,403
Fund Balances — June 30	\$ 25,720,331	127,978	15,996,056	40,364,280

See accompanying notes to basic financial statements.

Capital Projects			
Areawide Capital Projects	Nonmajor Funds	Total	
-	-	34,319,181	Revenues
10,390,174	3,815,292	14,323,385	Taxes
-	-	1,876,558	Intergovernmental
-	357,577	496,119	Licenses and permits
-	1,402,772	7,205,410	Fines and forfeitures
-	502,994	619,722	Charges for services
-	155,475	678,273	Special assessments
8,853	62,474	2,624,628	Development fees
-	-	8,597,567	Use of money and property
1,280,487	106,800	1,731,238	Contributions from other governments
11,679,514	6,403,384	72,472,081	Other revenue
			Total Revenues
			Expenditures
			Current:
-	384,584	11,179,762	General government
280,487	1,339,964	5,458,617	Community development
-	-	458,128	Culture and recreation
-	871,214	27,391,352	Public safety
-	2,855,257	3,598,780	Public works
15,854,798	3,750,205	20,094,250	Capital outlay
			Debt service:
-	-	7,031,897	Principal
-	-	6,578,002	Interest
16,135,285	9,201,224	81,790,788	Total Expenditures
			Excess (deficiency) of revenues over (under) expenditures
(4,455,771)	(2,797,840)	(9,318,707)	
			Other Financing Sources (Uses)
-	174,062	677,827	Transfers in
-	-	(798,834)	Transfers out
-	-	126,848	Proceeds from sale of capital assets
-	174,062	5,841	Total Other Financing Sources (Uses)
			Special Item
-	-	(1,101,793)	Loss on sale of assets held for disposition
(4,455,771)	(2,623,778)	(10,414,659)	Net change in fund balances
6,252,359	14,888,864	106,684,978	Fund balances — July 1
1,796,588	12,265,086	96,270,319	Fund Balances — June 30

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ (10,414,659)
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay. 	
Capital outlay	16,548,412
Depreciation expense (excluding internal service)	(7,019,286)
<hr/>	
<ul style="list-style-type: none"> Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 	4,520,403
<hr/>	
<ul style="list-style-type: none"> The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on change in net position. This amount represents long-term debt repayments. Governmental funds also report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 	
These differences in the treatment of long-term debt and related items consist of:	
Bond principal payments	6,776,000
Capital lease principal payments	255,897
Bond premium amortization	8,105
<hr/>	
<ul style="list-style-type: none"> 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 governmental funds. 	
Compensated absences	(179,824)
Accrued interest payable	(281,687)
<hr/>	
<ul style="list-style-type: none"> Governmental funds report pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as expenses. 	
City pension and OPEB contributions	5,985,959
Cost of benefits earned net of employee contributions (pension and OPEB expense from schedules)	(8,240,271)
<hr/>	
<ul style="list-style-type: none"> Internal service funds are used by management to charge the costs of activities involved in providing services to departments within the City. The net expense of certain internal service funds are reported with governmental activities. 	1,910,198
<hr/>	
Change in net position of governmental activities	\$ 9,869,247

See accompanying notes to basic financial statements.

Statement of Net Position — Proprietary Funds

June 30, 2018

	Governmental Activities - Internal Service Funds
Assets	
Current assets:	
Cash and investments	\$ 16,942,583
Receivables:	
Interest	74,714
Accounts	110,306
Deposits with PERMA	2,336,860
Prepaid assets	114,576
Inventories	30,867
Total Current Assets	19,609,906
Noncurrent assets:	
Capital assets:	
Vehicles and equipment	8,590,598
Construction in progress	343,400
Accumulated depreciation	(6,194,154)
Net capital assets	2,739,844
Total Noncurrent Assets	2,739,844
Total Assets	22,349,750
Liabilities	
Current liabilities:	
Accounts payable	149,515
Claims payable	1,000,000
Unearned revenue	6,951
Total Current Liabilities	1,156,466
Noncurrent liabilities:	
Claims payable	4,012,523
Total Noncurrent Liabilities	4,012,523
Total Liabilities	5,168,989
Net Position	
Investment in capital assets	2,739,844
Unrestricted	14,440,917
Total Net Position	\$ 17,180,761

See accompanying notes to basic financial statements.

**Statement of Revenues, Expenses, and Changes in
Net Position — Proprietary Funds**

For the Year Ended June 30, 2018

	Governmental Activities - Internal Service Funds
<hr/>	
Operating Revenues	
Charges for services	\$ 11,412,546
Other revenue	271,032
Total Operating Revenues	11,683,578
Operating Expenses	
Insurance claims and expenses	9,440,629
Minor equipment	24,248
Depreciation	518,162
Total Operating Expenses	9,983,039
Operating Income	1,700,539
Nonoperating Revenues	
Interest and investment income	88,652
Total Nonoperating Revenues	88,652
Income before transfers	1,789,191
Transfers in	121,007
Change in net position	1,910,198
Net position — July 1	15,270,563
Net Position — June 30	\$ 17,180,761

See accompanying notes to basic financial statements.



Statement of Cash Flows — Proprietary Funds

For the Year Ended June 30, 2018

	Governmental Activities - Internal Service Funds
Cash Flows From Operating Activities	
Receipts from customers and user departments	\$ 11,434,000
Payments to suppliers for goods and services	(7,800,027)
Net Cash Provided by Operating Activities	3,633,973
Cash Flows From Noncapital Financing Activities	
Transfers in	121,007
Net Cash Provided by Noncapital Financing Activities	121,007
Cash Flows From Capital and Related Financing Activities	
Capital asset acquisitions	(1,126,219)
Net Cash (Used) By Capital and Related Financing Activities	(1,126,219)
Cash Flows From Investing Activities	
Interest received	52,373
Net Cash Provided by Investing Activities	52,373
Net increase in cash and cash equivalents	2,681,134
Cash and cash equivalents — July 1	14,261,449
Cash and Cash Equivalents — June 30	\$ 16,942,583
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 1,700,539
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	518,162
Accounts receivable	(1,713)
Deposits with PERMA	(251,400)
Prepaid assets	(113,177)
Inventories	(14,186)
Accounts payable	136,463
Unearned revenue	3,535
Claims payable	1,655,750
Net Cash Provided by Operating Activities	\$ 3,633,973

See accompanying notes to basic financial statements.

Statement of Fiduciary Net Position — Fiduciary Funds

June 30, 2018

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
	<u>Successor Agency Trust Funds</u>	
Assets		
Cash and investments	\$ 11,424,128	4,476,025
Receivables:		
Interest	55,818	29,952
Special assessments	-	381,845
Prepaid assets	594,321	-
Restricted assets:		
Held with Successor Agency	1,177,647	-
Cash and investments held w ith fiscal agent	514	437,146
Total Assets	<u>13,252,428</u>	<u>5,324,968</u>
Liabilities		
Accounts payable	897	1,718
Accrued interest	1,292,071	-
Due to bondholders	-	5,323,250
Long-term liabilities:		
Due in one year	3,300,000	-
Due in more than one year	81,629,401	-
Total Liabilities	<u>86,222,369</u>	<u>5,324,968</u>
Net Position		
Held in trust for other purposes	<u>(72,969,941)</u>	
Total Net Position	<u>\$ (72,969,941)</u>	

See accompanying notes to basic financial statements.

Statement of Changes in Fiduciary Net Position — Fiduciary Funds

For the Year Ended June 30, 2018

	Private- Purpose Trust Funds
	Successor Agency Trust Funds
Additions	
Taxes	\$ 14,501,377
Use of money and property	120,451
Total Additions	14,621,828
Deductions	
Administrative expenses	197,633
Contractual services	273,052
Interest expense	3,569,433
Contributions to other governments	8,597,567
Total Deductions	12,637,685
Change in net position	1,984,143
Net position — July 1	(74,954,084)
Net Position — June 30	\$ (72,969,941)

See accompanying notes to basic financial statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to governmental entities. A summary of the City of Cathedral City's significant accounting policies applied in the preparation of these financial statements follows.

NOTE A – REPORTING ENTITY

The City of Cathedral City (the "City") was incorporated in 1981 under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "general law" cities. With the November 2016 election the City became a charter city and has transitioned from a general law city. The City operates under a Council-Manager form of government and the City Council is comprised of five members. Among the services provided by the City are public safety (police and fire protection), public works (maintenance of streets and parks), community development (building, planning, engineering and code compliance), business development, community events and general administrative support.

As required by U.S. GAAP, these financial statements present the City (primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units.

Cathedral City Public Financing Authority ("Authority") – The Authority was established as a separate legal entity on December 1, 1993, for the purpose of financing public capital improvements. Although legally separate, it is reported as if it were part of the City because the City Council also serves as the Authority's governing board. In addition, City management has operational responsibility for the Authority as it manages its activities in the same manner as the City's. The Authority is reported herein in the City's debt service funds. Separate financial statements for the Authority are not prepared. The Authority's fiscal year end is June 30.

Cathedral City Community Services District ("District") – The District was established as a separate legal entity upon incorporation of the City in 1981 to provide police services, soil conservation, sand control, tree and plant conservation, public parks, street lighting and road maintenance within the city limits. Upon cessation of assessment levies in June 2000, the District's activities have been 100% funded through property taxes received from Riverside County. Although legally separate, it is reported as if it were part of the City because the City Council also serves as the District's governing board. In addition, City management has operational responsibility for the District as it manages its activities in the same manner as the City's. The District is reported herein as part of the City's General Fund. Separate financial statements for the District are not prepared. The District's fiscal year end is June 30.

2. Fiduciary Component Unit.

Successor Agency to the Redevelopment Agency of the City of Cathedral City ("Successor Agency") – Assembly Bill 1X 26 ("the Bill") dissolved all redevelopment agencies in the State of California effective February 1, 2012. The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government would agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On May 25, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 2011-133 in the event of dissolution.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution, as overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Cathedral City as Successor Agency of the former redevelopment agency. In future fiscal years, successor agencies will only be allocated property tax revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is reported herein in the City's fiduciary funds as private-purpose trust funds. Separate financial statements for the Successor Agency are not prepared. The Successor Agency's fiscal year end is June 30.

NOTE B – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which generally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties. The City does not have any reportable business-type activities or discretely presented component units.

The statement of net position reports all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of services with the difference between them presented as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are clearly identifiable with a specific function. 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, and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds.

NOTE C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Available means collectible within the current period, or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if collected within 60 days after year end. Sales taxes, property taxes, utility users' taxes, transactions and use taxes, cannabis and marijuana taxes, franchise fees, motor vehicle in lieu payments, transient occupancy taxes, grants, and interest associated with the current fiscal period are susceptible to accrual. Other revenue items become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditures

are recorded when the related liability is incurred, except for debt service expenditures, and expenditures related to compensated absences and claims and judgments, which are not recognized until paid.

The City reports the following governmental fund types:

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

For reporting purposes, the General Fund includes the following funds: the General Fund (Fund 100); Big League Dreams (Fund 431); and Special Deposits (Fund 711). The Big League Dreams fund accounts for the loan made by the City to a developer for constructing a sports complex (Big League Dreams). The Special Deposits fund accounts for deposits held by the City for others, such as developer security deposits, particulate matter (PM-10) deposits and business owner deposits. The Big League Dreams and Special Deposits funds do not meet the fund type definitions included in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Therefore, for U.S. GAAP reporting they are included as part of the General Fund.

- Special revenue funds account for revenues derived from specific sources, which are usually required by law or administrative regulation to be accounted for in a separate fund.
- Debt service funds account for the accumulation of resources that are restricted, committed, or assigned for payment of principal and interest on long-term obligations of governmental funds.
- Capital projects funds account for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

In addition to the General Fund, major governmental funds reported by the City include the following:

- The Developer Fees special revenue fund is used to account for the various fees charged to developers and collected by the City. The fees collected are restricted for the specific purposes designated by each of the fees.
- The Successor Housing Agency special revenue fund accounts for restricted revenue, such as housing program repayments, rental income, and interest earnings that are to be used in accordance with applicable housing-related provisions of the Community Redevelopment Law.
- The Public Financing Authority debt service fund accounts for the monies received and interest earned to make the required principal and interest payments on the long-term indebtedness of the Authority.
- The Areawide Capital Projects fund accounts for restricted revenues, such as grants and other governmental revenues, to be used for approved citywide capital projects not otherwise budgeted for in another fund.

Proprietary fund and private-purpose trust fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. Agency funds have no measurement focus, but utilize the accrual basis of accounting for reporting its assets and liabilities.

The City reports the following proprietary fund type:

- Internal service funds account for motor vehicle and major equipment purchases, insurance, technology-related costs, and major facilities replacement costs. The principal operating revenues of the City's internal service funds are charges

to user departments for the estimated cost reimbursement of providing these services. Operating expenses for the internal service funds include the cost of services provided, administrative expenses, and depreciation on capital assets.

Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governments. The City reports the following fiduciary fund types:

- Private-purpose trust funds account for the assets and liabilities of the Successor Agency. Allocated property tax revenues are received from Riverside County to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for taxes received for special assessments debt, for which the City is not obligated.

NOTE D – ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR FUND BALANCES

- 1. Cash and Investments.** The City pools cash resources from all funds, except those held by fiscal agents, to facilitate cash management and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms pursuant to investment policy guidelines established by the City and subject to an annual review by the City Council. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Each fund's share in this pool is displayed in the accompanying financial statements as 'cash and investments'. City investments are recorded at fair value, which is primarily determined on the basis of quoted market prices at year end, except for certain certificates of deposit and investment agreements that are reported at cost because they are not transferable and they have terms that are not affected by changes in market rates. The City participates in an external investment pool managed by the State of California. This fund, the California Local Agency Investment Fund (LAIF), was established under California State Statute. LAIF has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF is not registered with the Securities and Exchange Commission and falls under the regulatory oversight of the State of California. Based on information obtained from the State of California, the investment in LAIF has been recorded at fair value.

Investment earnings include interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments. Investment earnings of the pooled investments are allocated to the various funds based on each fund's cash and investment balance at the end of a quarter.

- 2. Cash Equivalents.** The City's investments held in the pooled cash account are classified as cash equivalents. Cash equivalents are defined as short-term (maturing within three months), highly-liquid investments that are both readily convertible to known amounts of cash or so near their maturity they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the internal service funds' share in the cash and investment pool of the City. The entire balance of cash and investments on the statement of net position for the internal service funds is considered cash and cash equivalents for purposes of the statement of cash flows.
- 3. Accounts Receivable.** Property taxes, sales and use taxes, utility users' taxes, transactions and use taxes, cannabis and marijuana taxes, franchise fees, motor vehicle in lieu payments, transient occupancy taxes, grants, and interest related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position.



4. **Loans Receivable.** The former redevelopment agency loaned money to City residents as part of assistance programs targeting low and moderate income property owners. Assistance programs included property rehabilitation assistance, property tax payment assistance, and others. The former redevelopment agency also loaned money to developers for various low and moderate income housing projects throughout the city.
5. **Interfund Receivable/Payable.** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances from these transactions are classified as "interfund receivable" or "interfund payable" on the balance sheet/statement of net position. Other interfund receivables/payables between individual funds can occur when funds have overdrawn their equity share of pooled cash.
6. **Prepaid Assets.** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.
7. **Inventories.** The City values its fuel inventory for City vehicles at average cost and expenses the fuel inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The City uses the purchases method of accounting for inventories in governmental fund types whereby inventory items are considered expenditures when purchased and are not reported in the statement of net position.
8. **Investments Held in Trust.** Investments held in trust represent the investments (special assessment district bonds) purchased and held by the City for repayment of certain special assessment district debt.
9. **Assets Held for Disposition (formerly Land Held for Resale).** Upon the dissolution of the former redevelopment agency, the City took on the role of Successor Housing Agency. Parcels of land were acquired by the former redevelopment agency with low and moderate income housing funds as part of its primary purpose of developing or redeveloping blighted areas. These parcels are reported as assets held for disposition. The properties are reported at the lower of cost or net realizable value, which is determined upon the execution of a disposition and development agreement. Assets disposed of through a sales agreement at an agreed-upon price are accounted for by recording the resulting gain or loss on the sale. Assets given to a developer under a disposition agreement are accounted for by recording expenditures for developer assistance.
10. **Restricted Assets.** Certain cash and investments held by the fiscal agent reported in governmental activities and the Public Financing Authority debt service fund are classified as restricted assets as they are restricted for debt repayment.

Certain cash and investments held by the fiscal agent reported in the Assessment District 2001-01, CFD 2000-1 Rio Vista, and Assessment District 2003-01 capital projects funds are classified as restricted assets as they are remaining proceeds of debt issues and their use is limited by applicable bond covenants.

11. **Capital Assets.** Vehicles, furniture, equipment, infrastructure assets (e.g., roads, traffic signals, drainage systems, and similar items), and intangible assets (software and easements) are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 (vehicles, furniture and equipment), \$10,000 (land and land improvements) or \$50,000 (buildings, structures, infrastructure, and intangible assets) and an estimated life exceeding one year. Normal maintenance and repair costs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized over the shorter of the lease term or the estimated useful life of the asset.

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

Building and improvements	30 years
Structures and improvements	20 years
Vehicles, furniture and equipment	5 to 10 years
Infrastructure	10 to 50 years
Intangible assets	5 to 40 years

12. Long-term Obligations. Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements, proprietary fund financial statements and private-purpose trust fund financial statements. Bond premiums and discounts, if any, are amortized over the life of the bonds using the straight-line method. Bond premiums and discounts, if any, are reported in the government-wide financial statements as noncurrent liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the 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, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

13. Compensated Absences. The City has vacation, sick and paid time off leave policies covering substantially all of its employees.

Regular status City employees earn vacation hours based upon their respective Memorandum of Understanding (MOU) and length of service. Depending on the MOU and employment service, employees can carry forward unused vacation hours ranging from 192 to 648 hours. There is no limit for non-represented employees. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, a liability is recorded in the government-wide financial statements for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Regular status City employees earn sick leave based upon their respective MOU. Depending on the MOU and employment service, employees can carry forward unused sick hours ranging from 580 to 1,440 hours. The maximum for non-represented employees is 960 hours. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, a liability is recorded in the government-wide financial statements for unused sick leave balances only to the extent it is probable the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

A current liability is accrued in the governmental funds for material compensated absences due on demand to governmental funds employees terminating prior to year-end. All other amounts are recorded as long-term liabilities. These noncurrent amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees. The General Fund is generally used to liquidate the liability for compensated absences. If material, a proprietary fund type liability is accrued for the leave benefits relating to the operations of the proprietary funds.

14. Deferred Outflows/Inflows of Resources. In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement

element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category, the deferred outflows relating to the pensions and OPEB reported in the government-wide statement of net position. These outflows are the results of contributions made after the measurement period (which are recognized in the following year), changes in assumptions, differences between expected and actual experiences, net difference between projected and actual earning on plan investments, adjustments due to differences in proportions and the difference between actual contributions made and the proportionate share of the risk pool’s total contributions. These amounts in relation to the pensions are deferred and amortized over the expected average remaining service life time except for the net difference between projected and actual earnings on plan investments, which are amortized over a five-year period.

In addition to liabilities, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category in the government-wide statement of net position – deferred inflows relating to pensions and OPEB. These inflows are the result of adjustments due to changes in assumptions, differences between expected and actual experiences, net difference between projected and actual earning on plan investments, adjustments due to differences in proportions and the difference between actual contributions made and the proportionate share of the risk pool’s total contributions. In relation to the pensions, these amounts are deferred and amortized over the expected average remaining service life time, except for the net difference between projected and actual earnings on plan investments, which are amortized straight-line over a five-year period. The government also has one type of item that qualifies for reporting in this category under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: sales taxes, property taxes, grant reimbursements and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARL) (6.7 years at June 30, 2017)

15. Net Position. In the government-wide, proprietary fund, and fiduciary fund (private-purpose trust fund) financial statements, net position is the difference between assets, liabilities, deferred inflows, and deferred outflows. Net investment in capital assets represents capital assets, less accumulated depreciation, and less any outstanding borrowings related to the acquisition, construction, or improvement of those assets. Certain net positions are restricted for capital projects, community development, debt service, and other purposes.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted sources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

16. Fund Balance. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund classifications include:

Nonspendable – Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted – Includes amounts that have constraints on the use of resources by being externally imposed, imposed by law through constitution, or through enabling legislation.

Committed – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's highest level of decision-making authority (City Council).

Assigned – Includes amounts that are constrained by the City's intent to be used for a specific purpose. The City Council authorized the City Manager and/or Administrative Services Director to assign amounts for specific purposes pursuant to the fund balance policy adopted through a resolution.

Unassigned – The residual classification, which includes all spendable amounts not contained in other classifications. This classification also includes amounts set aside for cash flow reserves, economic uncertainties and budget-related reserves in accordance with the revised fund balance policy approved on September 10, 2014 (Resolution 2014-37). The revised fund balance policy strives to set aside 33% of budgeted expenditures and transfers out as a minimum, with a target of 50% by fiscal year 2020 for cash flow reserves (50%), economic uncertainties (40%) and budget-related reserves (10%).

The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, it is not appropriate to report a positive unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that (those) fund(s).

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

17. Property Taxes. Under California law, property taxes are assessed and collected by the counties at a rate of up to 1% of assessed value, plus other increases approved by the voters. The property taxes are pooled and allocated to cities based on complex formulas prescribed by state statutes. Accordingly, the City accrues only those taxes received within 60 days after year end.

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	November 1 – 1 st installment February 1 – 2 nd installment
Delinquent After:	December 10 – 1 st installment April 10 – 2 nd installment

Taxes are collected by Riverside County and are remitted to the City periodically. Dates and percentages are as follows:

December:	30% advance
January:	Collection No. 1
April:	10% advance
May:	Collection No. 2
July:	Collection No. 3
November:	Teeter settlement

The City is a participant in the Teeter plan under the California Revenue and Taxation Code. Under this plan, the City receives 100% of the tax levy and Riverside County has responsibility for the collection of any delinquent taxes.

18. Pensions. For purposes of measuring the net pension liability, deferred inflows and outflows of resources related to the pension, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees’ Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website (www.calpers.ca.gov) under ‘Forms and Publications’.

19. Other Postemployment Benefits (OPEB). Employees retiring from the City within 120 days of separation may elect to participate in such group health insurance policies provided by the City if the following three criteria are met: (1) taking a qualified retirement under CalPERS; (2) having the required years of service with the City based on the guidelines in effect at their original employment date; and (3) have reached the minimum age requirement based on the guidelines in effect at their original employment date. The cost of such insurance coverage, which the City chooses from time to time, is determined by the employee’s negotiated MOU at the time of retirement. As permitted by law, the City’s health insurance policy shall become secondary to any applicable federal or state government health programs as soon as the retired employee becomes eligible, or the retired employee reaches age 65, whichever comes first.

The Insurance Fund (an internal service fund) is generally used to liquidate the liability for other postemployment benefits.

For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

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

Valuation Date	January 1, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

20. Proprietary Fund Operating and Non-Operating Revenues and Expenses. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in total net position. They also distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services related to the fund’s principal ongoing operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

21. Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.



NOTE E – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Governmental Accounting Standards Board Statement No. 75 – In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement establishes new accounting and financial reporting for OPEB provided to the employees of state and local governments. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

GASB Statement No. 75 is effective for periods beginning after June 15, 2017. This Statement did apply to the City and resulted in the net restatement of net position of (\$32,563,749) as part of the change in accounting principle. This is a one-time adjustment.

Governmental Accounting Standards Board Statement No. 81 – In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements administered by a third-party, if the government controls the present service capacity of the beneficial interests. Finally, this Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 81 is effective for periods beginning after December 15, 2016.

Governmental Accounting Standards Board Statement No. 82 – In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 82 is effective for periods beginning after June 15, 2016, except for the requirements related to the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Governmental Accounting Standards Board Statement No. 85 – In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 85 is effective for reporting periods beginning after June 15, 2017.

Governmental Accounting Standards Board Statement No. 86 – In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 86 is effective for reporting periods beginning after June 15, 2017.

NOTE F – NEW ACCOUNTING PRINCIPLES YET TO BE IMPLEMENTED

Governmental Accounting Standards Board Statement No. 83 – In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 83 is effective for reporting periods beginning after June 15, 2018.

Governmental Accounting Standards Board Statement No. 84 – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB Statement No. 84 is effective for reporting periods beginning after December 15, 2018.

Governmental Accounting Standards Board Statement No. 87 – In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019.

Governmental Accounting Standards Board Statement No. 88 – In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for disclosures by governments. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequence, significant termination events with finance-related consequence, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 88 is effective for reporting periods beginning after June 15, 2018.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE A – DEFICIT FUND EQUITY

At June 30, 2018, there are no deficit fund equity balances to report.

NOTE B – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018 no budget basis expenditures (including transfers out) exceeded appropriations.

III. DETAILED NOTES FOR ALL FUNDS

NOTE A – DEPOSITS AND INVESTMENTS

- 1. Deposits.** Cash includes amounts in demand and time deposits. The City maintains a single cash account at Wells Fargo Bank for payment of general accounts payable checks and payroll checks. At year end, the City's bank balance was \$259,556. The balance reported in the June 30, 2018 financial statements was \$(1,345,591).

The difference between the two amounts represents outstanding checks, deposits in transit, and other reconciling items.

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 in the possession of an outside party. Deposits or securities can be legally restricted. Amounts in excess of the Federal Deposit Insurance Corporation (FDIC) maximum of \$250,000 are securitized in accordance with California Government Code Section 53652. This requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City Treasurer may waive the collateral requirement for deposits fully insured by the FDIC.

As of June 30, 2018, deposits were not subject to custodial credit risk as they were entirely insured or collateralized with securities held by the City or the City's agent in the City's name.

- 2. Investments.** The City maintains a cash and investment pool available for use by all funds, except for assets held by fiscal agents. The pool's cash balances are invested by the City Treasurer to enhance interest earnings. Investment income earned by the pooled investments is allocated to the various funds on a quarterly basis based on each fund's cash and investments balance at the end of the quarter. Each fund's portion of this pool is displayed on the statement of net position and balance sheet as 'cash and investments'.

The City's investment policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for the maximum security of principal with best investment return, while meeting the daily cash flow needs of the City. All investments are made in accordance with the California Government Code and the City's investment policy, which is generally more restrictive than State law. The Administrative Services Director reviews the investment policy annually and updates it as necessary. It is then presented to the City Council for approval. Authority to manage the investment program is granted to the City Treasurer in accordance with California Government Code, Section 53607, and is incorporated into the investment policy. In his/her absence, the Administrative Services Director, and/or Director of Finance, and City Manager, in that order, are authorized to act on his/her behalf. The City's Municipal Code requires that the City

Treasurer provide a monthly report to the City Council of its investment transactions. This ‘treasurer’s report’ meets the requirement for monthly investment reporting.

Table 1 below identifies the investment types authorized for the City by California Government Code, Sections 53600 et al, 16429.1 and 53684 (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Table 1
Authorized Investments – City Treasurer
 June 30, 2018

	Maximum Maturity	Maximum % of Portfolio*	Maximum Investment In One Issuer
Government agency issues	5 years	80%	No maximum
Banker’s acceptances	180 days	40%	30%
Medium-term notes	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	No maximum	\$50 million †
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	N/A	30%	No maximum
Money market mutual funds	N/A	20%	10%

* Excluding amounts held by bond trustee, which are not subject to California Government Code restrictions.
 † LAIF account balances are capped at \$50 million for regular accounts. Bond proceeds accounts have no deposit restrictions. The City maintains four separate accounts with LAIF – two regular accounts and two bond proceeds accounts.

Investment of debt proceeds held by the bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. Investments held by the bond trustees consist mainly of bond proceeds to be used for capital projects and required reserve funds for various bond issues and are not available for the City’s general expenditures.

Table 2 below identifies the investment types authorized for investments held by the bond trustee. The table shows the maximum maturity allowed for debt proceeds, the maximum amount of the proceeds that may be invested in any type of investment, and the maximum amount that can be invested in any particular issuer of investments.

Table 2
Authorized Investments – Bond Trustees
 June 30, 2018

	Maximum Maturity	Maximum % of Portfolio	Maximum Investment In One Issuer
Government agency issues	5 years	No maximum	No maximum
Local Agency Investment Fund (LAIF)	N/A	No maximum	No maximum
Money market mutual funds	N/A	No maximum	No maximum
Guaranteed investment agreements	N/A	No maximum	No maximum
Local agency bonds	N/A	No maximum	No maximum

At June 30, 2018, the City's investment balances were as shown in **Table 3** below.

Table 3

Investment Balances

June 30, 2018

	Fair Value
Investments governed by CA Government Code/City investment policy:	
Local Agency Investment Fund (LAIF)	\$ 46,620,820
Certificates of deposit	4,404,057
Federal agency securities	4,913,381
Medium-term notes	13,187,010
Money market mutual funds	3,652,937
Total investments governed by CA Government Code/City investment policy	72,778,205
Investments governed by debt agreements:	
Local Agency Investment Fund (LAIF)	1,497,166
Money market mutual funds	2,170,836
Local agency bonds	35,350,279
Total investments governed by debt agreements	39,018,281
Total investments	\$ 111,796,486

A reconciliation of cash and investments as shown in the basic financial statements as of June 30, 2018, is shown in **Table 4** below.

Table 4

Reconciliation of Cash and Investments

June 30, 2018

	Primary Government
Governmental activities:	
Cash on hand	\$ 3,350
Other cash – Playa del Sol	109,070
Deposits with financial institutions	(1,345,591)
Investments	56,877,754
Subtotal – cash and investments	55,644,583
Investments held in trust	35,350,279
Restricted cash and investments	5,135,620
Total governmental activities	\$ 96,130,482
Fiduciary:	
Private-Purpose Trust Funds:	
Investments	11,424,128
Restricted cash and investments	1,178,161
Agency Funds:	
Investments	4,476,025
Restricted cash and investments	437,146
Total fiduciary	17,515,460
Total cash and investments	\$ 113,645,942

3. Fair Value Measurements. The City defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is established prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- **Level 1:** Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- **Level 2:** Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly such as quoted prices for similar assets or liabilities in active markets or inactive markets, or inputs other than quoted prices that are observable for the asset or liability.
- **Level 3:** Inputs are unobservable. Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The City uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the City measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

Table 5 below presents the balances of investments measured at fair value on a recurring basis at June 30.

Table 5

Investment Type	Total	Level 1	Level 2	Level 3
Local Agency Investment Fund (LAIF)	\$ 48,117,986	-	48,117,986	-
Certificates of deposit	4,404,057	-	4,404,057	-
Federal agency securities	4,913,381	-	4,913,381	-
Medium-term notes	13,187,010	-	13,187,010	-
Money market mutual funds	5,823,773	-	5,823,773	-
Local agency bonds	35,350,279	-	35,350,279	-
Total	\$ 111,796,486	-	111,796,486	-

4. Investment in Local Agency Investment Fund (LAIF). The City is a voluntary participant in LAIF, a state investment pool regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

As of June 30, 2018, the total amount invested by all public agencies in LAIF is \$22.5 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2018 had an investment portfolio balance of \$88.8 billion. Of that amount, 1.84% is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 193 days as of June 30, 2018.

- 5. Interest Rate Risk.** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, as the maturity period of an investment lengthens, the sensitivity of its fair value to changes in market interest rates becomes greater. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by **Table 6**, which shows the distribution of the City's investments by maturity.

Table 6

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
Local Agency Investment Fund (LAIF)	48,117,986	48,117,986	-	-	-
Certificates of deposit	4,404,057	-	-	3,671,560	732,497
Federal agency securities	4,913,381	-	-	979,851	2,937,733
Medium-term notes	13,187,010	-	-	11,272,141	1,914,869
Money market mutual funds	5,823,773	5,823,773	-	-	-
Local agency bonds	35,350,279	-	-	-	35,350,279
Total	\$ 111,796,486	53,941,759	-	15,923,552	41,931,175

- 6. Credit Risk.** Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. It is measured by the assignment of a rating by nationally-recognized statistical rating organizations, such as Standard & Poor's (S&P) and Moody's. All City investments, except for certificates of deposit, local agency bonds, and LAIF require a minimum 'A' rating by the rating organization at the time of purchase. **Table 7** below presents the actual rating by S&P and Moody's as of June 30, 2018 for each investment type.

Table 7

S&P	Moody's	LAIF	Certificates of Deposit	Federal Agency Securities	Medium-Term Notes	Money Market Mutual Funds	Local Agency Bonds	Total
AAA-mf	Aaa-m	\$ -	-	-	-	5,823,773	-	5,823,773
AA+	Aaa	-	-	4,913,381	-	-	-	4,913,381
A+	Aa2	-	-	-	956,381	-	-	956,381
AA	Aa2	-	-	-	983,980	-	-	983,980
AA-	A1	-	-	-	496,879	-	-	496,879
A	A1	-	-	-	987,620	-	-	987,620
A+	A2	-	-	-	979,515	-	-	979,515
A	A2	-	-	-	2,930,340	-	-	2,930,340
A-	A2	-	-	-	3,881,758	-	-	3,881,758
A-	A3	-	-	-	1,970,537	-	-	1,970,537
NR	NR	48,117,986	4,404,057	-	-	-	35,350,279	87,872,322
Total		\$ 48,117,986	4,404,057	4,913,381	13,187,010	5,823,773	35,350,279	111,796,486

NR – Not Rated

7. **Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2018, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with independent third party custodian banks. The City uses Union Bank N.A., Wells Fargo Securities, and Mutual Securities, Inc. as third-party custody and safekeeping services for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of a failure of these entities. All City investments held in custody and safekeeping by these entities are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure.

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NOTE B – RECEIVABLES

1. **Loans Receivable.** The City’s outstanding loans receivable as of June 30, 2018 are summarized in **Table 8** below.

Table 8

Loans Receivable
June 30, 2018

Borrower	Loan Date	Loan Amount	Loan Term/ Due Date	Interest Rate	Payment Frequency	Outstanding Balance
Big League Dreams Cathedral City, LLC ¹	07/30/98	\$ 4,350,239	09/30/27	7.093%	Quarterly	\$ 2,747,674
Cathedral City Heritage Park, L.P.	12/01/02	2,700,000	30 years ²	5.00%	Annual ³	4,543,310
Southern California Housing Development Corp.	05/01/03	1,000,000	30 years ²	0.00%	Annual ³	1,000,000
Southern California Housing Development Corp.	09/26/07	280,000	12/31/18 ⁶	0.00%	Lump sum ⁶	100,000
Cathedral Family Housing Partners, L.P.	09/21/07	4,006,162	55 years ²	2.00%	Annual ³	4,671,659
Terracina Cathedral City Apartments, L.P.	12/01/10	50,000	55 years ²	3.00%	Annual ³	55,190
Northwoods – Cathedral City LLC	08/14/01	325,000	33 years ²	0.00%	Lump sum ⁴	325,000
Low and moderate income housing property owners	Various	Various	Various	0.00%	Lump sum ⁵	1,309,529
Accessories by Silk Florist	06/07/17	4,543	5 years	3.00%	Annual ⁷	8,634
Coachella Valley Repertory						900,000
CURC						2,500,000
Total						\$ 18,160,996

¹ Amendment No. 1 dated September 30, 2015 reduced the interest rate from 10.02% to 7.093% and reduced quarterly payments from \$118,750 to \$100,000.

² From date certificate of completion was issued.

³ From residual receipts, if any.

⁴ At end of loan term.

⁵ At time property owner refinances/sells the property or no longer qualifies for low/moderate income housing under established guidelines.

⁶ Loan will be forgiven if developer invests \$100,000 in specific capital improvements within three years of the amendment.

⁷ Loan will be forgiven in five installments over the next five years, provided the business satisfies criteria outlined within the agreement.

Business Relocation Assistance Program. On October 26, 2016, the City approved a program that would provide assistance to businesses relocating as the result of a City approved cannabis business moving into their existing location. Businesses choosing to relocate, may receive a forgivable loan equal to 50% of eligible moving expenses, up to \$20,000.

NOTE C – TRANSFERS

1. **Transfers.** Transfers report the nonreciprocal contribution from one fund to another. Generally, transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, and (2) move monies to support activities the government must account for in other funds in accordance with budgetary authorizations. Transfers are summarized in **Table 10** below.

Table 10

Transfers In	Transfers Out	
	General Fund	Total
Public Financing Authority	\$ 377,064	\$ 377,064
Developer Fees	126,701	126,701
Nonmajor Governmental	174,062	174,062
Internal Service:		
Equipment Fund	121,007	121,007
Total	\$ 798,834	\$ 798,834

During the year ended June 30, 2018, various interfund transfers listed above were made to finance expenditures and service debt. Significant transfers between the governmental and/or proprietary funds consisted of:

- Debt service payments (principal and interest) of \$377,064 from the General Fund (Big League Dreams fund) to the Public Financing Authority debt service fund.
- Maintenance cost contribution of \$174,062 from the General Fund to the Landscape and Lighting District special revenue fund (nonmajor governmental fund).
- Transfer of \$126,701 to for general plan update.
- Transfer of \$121,007 to Equipment Replacement fund for equipment purchases.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is shown in **Table 11** and **Table 12** below.

1. Governmental Activities.

Table 11

Governmental Activities
For the Year Ended June 30, 2018

	July 1	Additions	Deletions	June 30
Capital assets not being depreciated:				
Land	\$ 28,206,409	321,801	-	28,528,210
Construction in progress	5,817,769	16,265,253	-	22,083,022
Total capital assets not being depreciated	34,024,178	16,587,054	-	50,611,232
Capital assets being depreciated:				
Buildings and improvements	22,878,029	-	-	22,878,029
Structures and improvements	8,941,707	-	-	8,941,707
Vehicles, furniture and equipment	14,931,857	782,817	(340,911)	15,373,763
Infrastructure	184,591,502	304,760	-	184,896,262
Intangibles	406,817	-	-	406,817
Total capital assets being depreciated	231,749,912	1,087,577	(340,911)	232,496,578
Less accumulated depreciation for:				
Buildings and improvements	(14,363,830)	(826,164)	-	(15,189,994)
Structures and improvements	(6,014,862)	(477,143)	-	(6,492,005)
Vehicles, furniture and equipment	(12,068,576)	(787,048)	340,911	(12,514,713)
Infrastructure	(84,040,440)	(5,447,093)	-	(89,487,533)
Intangibles	(406,817)	-	-	(406,817)
Total accumulated depreciation	(116,894,525)	(7,537,448)	340,911	(124,091,062)
Total capital assets being depreciated, net	114,855,387	(6,449,871)	-	108,405,516
Governmental Activities Capital Assets, net	\$ 148,879,565	10,137,183	-	159,016,748

2. **Depreciation Expense.** Depreciation expense that was charged to governmental activities' functions is summarized in **Table 12** below.

Table 12

General government	\$ 517,150
Community development	470,540
Culture and recreation	270,405
Public safety	296,381
Public works, including depreciation of infrastructure assets	5,464,810
Capital assets held by internal service funds	<u>518,162</u>
Total	<u>\$ 7,537,448</u>

3. **Construction Commitments.** The City's governmental-type activities have entered into construction and professional services contracts having remaining commitments under contract greater than \$200,000 as of June 30, 2018, as shown in **Table 13** below.

Table 13

<u>Project</u>	<u>Project No.</u>	<u>Remaining Commitments</u>
Enterprise Resource Planning	3572	\$ 363,700
DaVall/ I-10 Interchange	1010	667,902
Date Palm Drive/ I-10 Interchange	8724	765,847
Whitewater Bike Trail Phase II	7015	<u>4,964,722</u>
Total		<u>\$ 6,762,171</u>

Commitments for these funds are not reflected in the accompanying financial statements. Only the unpaid amounts incurred to date for authorized contracts are included as liabilities in the financial statements.

NOTE E – LEASE OBLIGATIONS

1. **Capital Leases.** The governmental activities capital leases are for various equipment purchases and improvements made as summarized in **Table 14** below.

Table 14

<u>Lessor</u>	<u>Purpose</u>	<u>Final Payment</u>	<u>Payment Frequency</u>	<u>Outstanding Balance</u>
Motorola, Inc. ¹	Eastern Riverside County Interoperable Communications Authority (ERICA) backbone – dispatch/subscriber equipment.	10/01/18	Annual	\$ 237,398
Dell Financial Services	Upgrade server and storage capabilities.	04/01/19	Monthly	<u>24,536</u>
Total				<u>\$ 261,934</u>

¹ The former redevelopment agency committed to making the annual payments required under the agreement. The Successor Agency continues to fund the annual payments through the semi-annual Recognized Obligation Payment Schedule (ROPS).

The related net book values of plant and equipment under capital lease obligations as of June 30, 2018, are summarized in **Table 15** below.

Table 15

Governmental Activities

Vehicles, furniture and equipment	\$ 2,151,511
Less accumulated depreciation	<u>(1,809,715)</u>
Net book value	<u>\$ 341,796</u>

Table 16 is a schedule by year of future minimum lease obligations together with the present value of the net minimum lease payments as of June 30, 2018.

Table 16

Year	Governmental Activities
2019	<u>\$ 272,748</u>
Total minimum lease payments	272,748
Less amounts representing interest	<u>(10,814)</u>
Present value of minimum lease payments	<u>\$ 261,934</u>

- Operating Leases.** The City is committed under various cancelable leases for property and equipment. These leases are considered for accounting purposes to be operating leases. Lease expenses for the year ended June 30, 2018, were approximately \$13,352 for governmental activities. The City expects these leases to be replaced in the ordinary course of business with similar leases. Future minimum lease payments should be approximately the same amount.

NOTE F – LONG-TERM DEBT

- Lease Revenue Bonds.** The 2015 Lease Revenue Refunding Bonds were issued to refund the outstanding 1997 Taxable Lease Revenue Bonds (“1997 Bonds”). The 1997 Bonds proceeds were loaned to the City, who in turn made a construction loan to Big League Dreams to develop a sports complex and community park. Bonds outstanding at June 30, 2018, are summarized in **Table 17** below.

Table 17

Bonds	Issue Date	Issue Amount	Interest Rate	Final Payment Date	Reserve Required	Reserve Amount	Outstanding Balance
Taxable Lease Revenue Refunding, Series 2015A	07/09/15	\$ 3,768,000	4.25%	08/01/27	-	-	\$ 3,081,000
Total							<u>\$ 3,081,000</u>

Lease revenue bonds' debt service requirements to maturity are summarized in **Table 18** below.

Table 18

Year	Governmental Activities	
	Principal	Interest
2019	\$ 254,000	125,545
2020	266,000	114,495
2021	277,000	102,956
2022	287,000	90,971
2023	300,000	78,498
2024 – 2028	<u>1,697,000</u>	<u>186,596</u>
Total	<u>\$ 3,081,000</u>	<u>699,061</u>

The City pledged certain lease revenues to repay the bonds. The bonds are payable solely from these lease revenues. Although the lease revenues were projected to produce sufficient revenues to meet the debt service requirements over the life of the bonds, the City has not pledged the full faith and credit of the City for the payment of the lease payments or any other payments due under the lease agreements. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making lease payments and other payments under the lease agreements. For the current year, principal and interest paid and total lease revenues received were \$377,064.

- 2. Tax Allocation Bonds (TABs).** Tax allocation bonds were issued to finance the construction and acquisition of certain capital improvements in the designated project areas of the former redevelopment agency. In addition, proceeds of housing-related bonds were used by the former redevelopment agency to increase, improve, and preserve the supply of low/moderate income housing. Bonds outstanding at June 30, 2018, are summarized in **Table 19** below.

Table 19

Bonds	Issue Date	Issue Amount	Interest Rate	Final Payment Date	Reserve Required	Reserve Amount ¹	Outstanding Balance
2000 TAB, Series A (Capital Appreciation Bonds)	03/30/00	\$ 2,221,000	6.00% - 6.15%	08/01/33	1,085,000	Surety bond	\$ 2,221,000
2004 TAB, Series B	12/02/04	8,630,000	4.93% - 5.87%	08/01/34	598,165	Surety bond	6,310,000
2007 TAB, Series A	03/09/07	29,740,000	4.50%	08/01/35	1,700,217	Surety bond	29,740,000
2007 TAB, Series B	03/09/07	53,400,000	5.14% - 5.39%	08/01/31	3,052,844	Surety bond	37,975,000
2007 TAB, Series C	03/09/07	31,860,000	4.00% - 5.00%	08/01/35	2,148,925	2,168,834	<u>25,615,000</u>
Total							<u>\$ 101,861,000</u>

¹ A reserve account surety bond was held to meet the reserve requirement, except for the 2007 TAB, Series C. For those bonds, a portion of the bond proceeds was set aside to fund the reserve.

Tax allocation bonds' debt service requirements to maturity are summarized in **Table 20** below.

Table 20

Year	Governmental Activities	
	Principal ¹	Interest ²
2019	\$ 3,175,000	4,885,248
2020	3,330,000	4,720,115
2021	3,505,000	4,545,541
2022	3,680,000	4,358,247
2023	3,875,000	4,559,899
2024 – 2028	23,898,324	21,631,571
2029 – 2033	30,258,360	15,150,222
2034 – 2036	<u>30,139,316</u>	<u>2,691,146</u>
Total	\$ 101,861,000	62,541,989

¹ Does not include unamortized premiums of \$138,470.

² Does not include accreted interest of \$4,231,598.

The City pledged a portion of future property tax increment revenues to repay the outstanding bonds. The bonds are payable solely from incremental property taxes generated by increased property values in the project areas.

All California redevelopment agencies were dissolved as of February 1, 2012, as a result of Assembly Bill 1X 26. The City agreed to serve as the “successor agency” to the former redevelopment agency. Subject to the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution. In future fiscal years, successor agencies will only be allocated property tax revenues in the amount necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated. (See **Note III-H** – Successor Agency Trust Funds for Assets of Former Redevelopment Agency.)

Contributions (property taxes) received from the Successor Agency during the fiscal year ended June 30, 2018 totaled \$8,064,351.

- Limited Obligation Bonds (LOBs).** The Local Agency Revenue Bonds, Series 2015A (Limited Obligations) bond proceeds were used to purchase the entire outstanding Limited Obligation Refunding Improvement Bonds, City of Cathedral City Assessment District No. 96-1 (Rio Vista); Limited Obligation Improvement Bonds, Assessment District No. 2001-01; Limited Obligation Improvement Bonds, 35th Avenue Assessment District No. 2003-01; Limited Obligation Improvement Bonds, Dream Homes Assessment District No. 2004-01; and Limited Obligation Improvement Bonds, Cove Improvement District No. 2004-02. These outstanding bonds are collectively referred to as the “Local Obligation Issues.” Repayment of the Local Agency Revenue Bonds, Series 2015A (Limited Obligations) is secured solely by principal and interest payments received from the purchased Local Obligation Issues.

Bonds outstanding at June 30, 2018, are summarized in **Table 21** below.

Table 21

Bonds	Issue Date	Issue Amount	Interest Rate	Final Payment Date	Reserve Required	Reserve Amount	Outstanding Balance
Local Agency Revenue Bonds, Series 2015A (Limited Obligations)	09/02/15	\$ 39,100,000	3.14% - 3.94%	09/02/35	\$ 1,523,656	\$1,531,604	\$ 33,900,000
Total							\$ 33,900,000

Limited obligation bonds' debt service requirements to maturity are summarized in **Table 22** below.

Table 22

Year	Governmental Activities	
	Principal	Interest
2019	\$ 1,775,000	1,272,312
2020	1,645,000	1,207,998
2021	1,705,000	1,145,024
2022	1,770,000	1,079,746
2023	1,845,000	1,011,791
2024 – 2028	9,745,000	3,957,080
2029 – 2033	9,500,000	2,129,176
2034 – 2036	<u>5,915,000</u>	<u>328,694</u>
Total	\$ 33,900,000	12,131,821

4. **Changes in Long-Term Liabilities.** Long-term liability activity for the year ended June 30, 2018, is summarized in **Table 23** below.

Table 23

Governmental Activities	July 1	Additions	Deletions	June 30	Due within one year
Bonds:					
Lease revenue	\$ 3,322,000	-	(241,000)	3,081,000	254,000
Tax allocation	104,886,000	-	(3,025,000)	101,861,000	3,175,000
Limited obligation	37,410,000	-	(3,510,000)	33,900,000	1,775,000
Unamortized bond premium	146,576	-	(8,105)	138,471	-
Accreted interest	<u>3,856,375</u>	<u>375,223</u>	<u>-</u>	<u>4,231,598</u>	<u>-</u>
Total bonds	149,620,951	375,223	(6,784,105)	143,212,069	5,204,000
Capital lease obligations	<u>517,831</u>	<u>-</u>	<u>(255,897)</u>	<u>261,934</u>	<u>261,934</u>
Total bonds and capital lease obligations	150,138,782	375,223	(7,040,002)	143,474,003	5,465,934
Other long-term liabilities:					
Compensated absences	3,731,684	2,733,014	(2,553,190)	3,911,508	2,100,000
Net pension liability	30,792,019	9,150,402	(3,973,372)	35,969,049	-
Other postemployment benefits*	70,050,000	-	(4,350,000)	65,700,000	-
Claims and judgments	<u>3,356,773</u>	<u>2,525,903</u>	<u>(870,153)</u>	<u>5,012,523</u>	<u>1,000,000</u>
Total other long-term liabilities	107,930,476	14,409,319	(11,746,715)	110,593,080	3,100,000
Total Governmental Activities	\$ 258,069,258	14,784,542	(18,786,717)	254,067,083	8,565,934

*July 1 balance restated for implementation of GASB Statement No. 75

5. **Special Assessment Debt with No City Commitment.** Special assessment districts ("Districts") in various parts of the City have issued debt under the 1915 Bond Act and Mello-Roos Special Tax Act to finance infrastructure improvements and facilities within their boundaries. The 1915 Act Bonds are not a general obligation of the City and neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof is pledged to the payment of any debt service for these Districts. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in general long-term debt of the City. **Table 24** summarizes the outstanding balance of each of these issues as of June 30, 2018.

Table 24

Bonds	Issue Year	Maturity Year	Outstanding Balance
Assessment District No. 2001-01 Limited Obligation Improvement Bonds	2001	2026	\$ 1,635,000
Community Facilities District No. 2000-1 Special Tax Bonds	2001	2030	10,060,000
Assessment District 96-1 (Rio Vista), Series 2004, Limited Obligation Refunding Improvement Bonds	2004	2026	2,585,279
35 th Avenue Assessment District No. 2003-01 Limited Obligation Improvement Bonds	2004	2034	4,525,000
Dream Homes Assessment District No. 2004-01 Limited Obligation Improvement Bonds	2004	2034	4,245,000
Cove Improvement District No. 2004-02 Limited Obligation Improvement Bonds	2005	2035	22,360,000
Total			\$ 45,410,279

6. **Arbitrage.** The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Department of Treasury at least every five years. During the current year, the City performed calculations of excess investment earnings on a special assessment bond with no City commitment and determined the liability to be zero at June 30, 2018.

NOTE G – FUND BALANCES

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. When expenditures are incurred that use funds from more than one classification, the City will generally determine the order which the funds are used on a case-by-case basis, taking into account any application requirements of grant agreements, contracts, business circumstances, or other constraints. If no restrictions otherwise exist, the order of spending of resources will be restricted, committed, assigned and lastly, unassigned.

Fund balances by classification are detailed in **Table 25** below.

Table 25

	General	Developer Fees	Successor Housing Agency	Public Financing Authority	Areawide Capital Projects	Nonmajor Funds	Total
Nonspendable	\$ 16,298	-	-	-	-	1,755	18,053
Restricted:							
Capital projects	-	-	-	-	1,796,588	3,862,591	5,659,179
Commercial building operations	50,000	-	-	-	-	-	50,000
Community development	-	127,978	-	-	-	2,702,710	2,830,688
Debt service	2,747,674	-	-	40,364,280	-	-	43,111,954
Low-mod income housing	-	-	15,996,056	-	-	-	15,996,056
Public safety	-	-	-	-	-	631,407	631,407
Public works	-	-	-	-	-	5,066,623	5,066,623
Total Restricted	2,797,674	127,978	15,996,056	40,364,280	1,796,588	12,263,331	73,345,907
Assigned:							
Capital projects	-	-	-	-	-	-	-
Commercial building operations	54,296	-	-	-	-	-	54,296
Debt service	808,300	-	-	-	-	-	808,300
Subsequent year's expenditures	1,967,308	-	-	-	-	-	1,967,308
Total Assigned	2,829,904	-	-	-	-	-	2,829,904
Unassigned:							
Budget reserves	1,992,755	-	-	-	-	-	1,992,755
Cash flow reserves	9,963,774	-	-	-	-	-	9,963,774
Economic uncertainties	7,971,019	-	-	-	-	-	7,971,019
Unassigned	148,907	-	-	-	-	-	148,907
Total Unassigned	22,076,455	-	-	-	-	-	20,076,455
Total Fund Balances	\$ 25,720,331	127,978	15,996,056	40,364,280	1,796,588	12,265,086	96,270,319

- 1. Nonspendable Fund Balances.** Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

The City has prepaid assets of \$18,053, which is in nonspendable form.

- 2. Restricted Fund Balances.** Restricted fund balances represent amounts constrained by external parties, enabling legislation and/or constitutional provisions.

The City has \$73,345,907 in total restricted fund balance. Restrictions include:

- \$43,111,954 – restricted for debt service repayment based on bond indentures and loan agreements.
- \$15,996,056 – restricted for low and moderate income housing authorized activities in accordance with the California Government Code and Section 33000 of the Health and Safety Code.
- \$5,659,179 – restricted for capital projects based on bond indentures, grant agreements, and other external parties.
- \$5,066,623 – restricted for public works improvements as these monies are received from State and County allocations and local district assessments that have restrictions on their use.
- \$2,830,688 – restricted for community development activities as these monies are received from developers and grant agreements and must be used for specific purposes.
- \$631,407 – restricted for public safety activities as these monies are received from developers, grant agreements and donations and must be used for specific purposes.
- \$50,000 – restricted for operating a commercial building owned by the City and managed by a third party. The third party management agreement requires the City to maintain a minimum working capital balance of \$50,000 with the management company.

- 3. Committed Fund Balances.** Committed funds can only be used for specific purposes pursuant to constraints imposed by City Council, the highest level of decision-making authority in the City. City Council's formal action to establish committed funds, and to rescind committed funds, is through passage of a resolution. The City currently has no committed fund balances.

- 4. Assigned Fund Balances.** Assigned fund balances are intended for specific purposes but do not require an action by City Council. Although City Council can assign funds, this is generally performed by the City Manager and/or Administrative Services Director.

The City has \$2,829,904 in total assigned fund balance. Of this total, assignments have been made for subsequent year's expenditures related to the second year of the currently adopted biennial budget deficit for fiscal year 2018-2019 in the amount of \$1,967,308, future debt service related to Big League Dreams lease revenue bonds (\$808,300), and funds in excess of the minimum working capital balance related to the commercial building owned by the City (\$54,296).

5. Unassigned Fund Balances. Unassigned fund balance is the residual classification for the General Fund. A negative unassigned fund balance occurs when expenditures exceed amounts that are nonspendable, restricted, committed, or assigned. The Fire Department Special Revenues fund had a deficit balance reported at June 30, 2018, due to timing of expenditures and reimbursements from grants. The General Fund (as reported) had amounts set aside for cash flow reserves (\$9,963,774) and future economic uncertainties (\$7,971,019), and budget reserves (\$1,992,754) in accordance with the updated fund balance policy (Resolution 2014-37, September 10, 2014) and the remaining unassigned fund balance of \$165,206.

NOTE H – SUCCESSOR AGENCY TRUST FUNDS FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

Assembly Bill 1X 26 (“the Bill”) dissolved all redevelopment agencies in the State of California effective February 1, 2012. This action impacted the reporting entity of the City of Cathedral City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government would agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On May 25, 2011, the City Council elected to become the successor agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 2011-133 in the event of dissolution.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

1. Cash and Investments. Cash and investments reported in the accompanying financial statements as of June 30, 2018, are summarized in **Table 26** below.

Table 26

	Successor Agency Trust Funds
Cash and investments pooled with City	\$ 11,424,128
Restricted cash and investments	<u>1,178,161</u>
Total Cash and Investments	<u>\$ 12,602,289</u>

2. **Long-Term Debt.** Long-term debt reported in the accompanying financial statements as of June 30, 2018, is summarized in **Table 27** below.

Table 27

	Date	Amount	Interest Rate	Final Payment Date	Outstanding Balance
Notes payable:					
CJR Investment Partnership	12/29/86	\$ 2,788,423	2% over Wells Fargo prime rate	11/22/27 ¹	\$ 14,731,840
2014A Tax Allocation Refunding Bonds	09/15/14	46,140,000	2.00% - 5.00%	08/01/34	39,455,000
2014B Tax Allocation Refunding Bonds	09/15/14	15,630,000	2.00% - 5.00%	08/01/33	13,840,000
2014C Tax Allocation Refunding Bonds	09/15/14	11,985,000	0.70% - 4.75%	08/01/33	10,450,000
Total					\$ 78,476,840

¹ Any unpaid principal and interest owed by the former redevelopment agency will be forgiven at the end of the note term.

Successor agencies are subject to the control of an oversight board, whereby remaining assets can only be used to pay enforceable obligations. Successor agencies will only be allocated property tax revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations until all enforceable obligations have been paid in full and all assets have been liquidated.

The Successor Agency has pledged a portion of future tax increment revenue that it receives, as security for the refunding bonds issued. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the various bonds is \$90,910,059, payable through August 2034. For the current year, principal and interest paid and total property tax revenues were \$6,339,238 and \$14,501,377, respectively.

The 2014 Tax Allocation Refunding Bonds' debt service requirements to maturity are summarized in **Table 28** below.

Table 28

Year	Governmental Activities	
	Principal ¹	Interest
2019	\$ 3,300,000	3,025,898
2020	3,455,000	2,870,002
2021	3,605,000	2,703,821
2022	3,780,000	2,527,935
2023	3,960,000	2,341,710
2024 – 2028	17,610,000	9,173,505
2029 – 2033	22,325,000	4,288,294
2034 – 2035	5,710,000	233,894
Total	\$ 63,745,000	27,165,059

¹ Does not include unamortized premiums of \$6,598,984 and unamortized discounts of \$146,423.

3. Changes in Long-Term Liabilities. Long-term liability activity for the year ended June 30, 2018, is summarized in **Table 29** below.

Table 29

	July 1	Additions	Deletions	June 30	Due within one year
Notes payable	13,866,170	866,636	(966)	14,731,840	-
2014 Tax Allocation Refunding Bonds	66,925,000	-	(3,180,000)	63,745,000	3,300,000
Unamortized bond premium	7,016,576	-	(417,592)	6,598,984	-
Unamortized bond discount	(156,131)	-	9,708	(146,423)	-
Total	\$ 87,651,615	866,636	(3,588,850)	84,929,401	3,300,000

4. Commitments. The former redevelopment agency made commitments for funding the following agreements:

- Motorola, Inc.** On September 26, 2008, the City entered into an equipment lease-purchase agreement with Motorola, Inc. for the purpose of financing dispatch and subscriber equipment utilizing the ERICA (Eastern Riverside County Interoperable Communications Authority) backbone. Upon payment completion, the equipment contained therein shall become the property of the City without further payment. On April 1, 2009, the agreement was amended because of a scope reduction in the equipment required. The amendment reduced the total price of the agreement and the payment schedule was modified accordingly. The former redevelopment agency committed to making the annual payments required under the agreement. Refer to **Note III-E.1** for additional information.
- Cooperation Agreement with City for Administrative Services.** On January 26, 2011, the former redevelopment agency and the City entered into a cooperation agreement for the provision of staff support, office space on a full gross basis, janitorial support, administrative and financial support, human resource and legal support, as well as use of general office equipment and telephone and information services, use of pool vehicles, and use of meeting space. The initial cost for these services was \$2.6 million annually beginning in fiscal year 2010/11. This amount may be increased annually in accordance with increases in the Consumer Price Index for All Urban Consumers – Los Angeles, Riverside, Orange County Area (1967 = 100). Reimbursement is subject to the administrative cost limit of the Assembly Bill 1X 26, which is the greater of 3% of monies received from the Redevelopment Property Tax Trust Fund or \$250,000.
- Grant Agreement with Downtown Foundation.** On January 17, 2011, the former redevelopment agency and the Downtown Foundation entered into a grant agreement whereby the former redevelopment agency will provide annual funding of \$400,000 to the Downtown Foundation through December 31, 2036 or as long as an operating deficit existed. The agreement ended during the current fiscal year because there were no more bond monies to fund any potential deficits.
- Owner Participation Agreements (OPA).** The former redevelopment agency entered into various owner participation agreements during its lifetime. No liabilities have been reflected in the accompanying financial statements at June 30, 2018, for the following agreements.

Palm Springs Motors. On January 7, 2007, the former redevelopment agency and Palm Springs Motors entered into an owner participation agreement granting the developer up to \$1,000,000 to expand the automobile dealership. Payments are equal to 50% of the incremental sales tax for the particular calendar quarter, but cannot exceed the annual cap of \$250,000. Amounts due in excess of the calendar year cap will be added to the following year payment, but will remain subject to the annual cap. The eligibility period is the earlier of the date the assistance is paid in full, or the thirteenth anniversary of the completion date, whether or not the assistance reaches the \$1,000,000 ceiling. The certificate of completion was issued on June 23, 2010. Therefore, the latest date for this agreement is June 23, 2023.

On June 23, 2010, Amendment No. 1 to the OPA with Palm Springs Motors modified certain terms and conditions of the original agreement. The payment schedule was modified to decrease the annual cap to \$105,000.

City Urban Revitalization Corporation (CURC). On January 17, 2011, the former redevelopment agency and CURC entered into an owner participation agreement granting the developer up to \$250 million in available bond proceeds and existing and future tax increment monies to develop various projects in the Downtown Area. Disbursal of funds will be authorized only following approval of specific projects and activities consistent with the former redevelopment agency's Implementation Plan.

On February 23, 2011, the former redevelopment agency and CURC entered into Amendment No. 1 to the agreement. The amendment only clarified use of the proceeds and did not commit any additional financial resources.

- 6. Insurance.** The Successor Agency is covered under the City's insurance policies. Additional information as to coverage and self-insurance retentions can be found in **Note IV-A**.

IV. OTHER NOTE DISCLOSURES

NOTE A – RISK MANAGEMENT

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-two participating member agencies with equal governing and no management authority. The City of Cathedral City joined PERMA on July 25, 1985, for the purpose of long-term premium stability. The City participates in the general liability and worker's compensation coverage programs of PERMA.

PERMA's general liability program provides coverage of \$1 million subject to the City's self-insurance retention of \$250,000. Additional coverage up to \$50 million is subject to PERMA's retained limit of \$1 million through the California State Association of Counties Excess Insurance Authority.

PERMA's workers' compensation program provides coverage of \$500,000 (PERMA's limit of liability) subject to the City's self-insurance retention of \$250,000. Excess insurance coverage is limited to statutory levels for workers' compensation and \$5 million for employer's liability.

Estimates for all workers' compensation and general liabilities, up to the self-insured levels, are recorded in an internal service fund. Claims payable for the self-insurance liability, including a provision for incurred but not reported claims, was \$5,012,523 at June 30, 2018. Settled claims from general liability and workers' compensation risks have not exceeded commercial insurance coverage for the past three years. The City continues to carry commercial insurance for other risks of loss.

Changes in claims liabilities for the past two years are summarized in **Table 30** below.

Table 30

Year	Beginning Balance	Claims Incurred/ Changes in Estimates	Claims Payments	Ending Balance
2016-17	\$ 2,892,368	\$ 944,549	\$ (480,144)	\$ 3,356,773
2017-18	3,356,773	2,525,903	(870,153)	5,012,523

¹ Claims incurred during the year are not specifically reported by PERMA. As a result, the claims incurred and changes in estimates amounts have been combined.

The annual deposit premiums are approved by the Board of Directors of PERMA and are intended to cover PERMA’s claim expenses, settlements, and operating costs. Annual deposit premiums are based on actuarially-determined rates for each coverage layer (pool), based on an estimate of the probable losses, and budgeted administrative costs of PERMA for the year in question. Member deposit premiums are subject to retrospective rating adjustments.

PERMA also provides a non-risk sharing "deductible" or claims-servicing pool for general liability claims within the self-insured retention level. Annual contributions are deposited with the Authority from which claims are paid on behalf of the City. Any claims paid by PERMA for the City in excess of deposits at year-end are recorded as liabilities by the City.

NOTE B – PENSION PLAN

1. General Information about the Pension Plan

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 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 eight rate plans (three miscellaneous and five safety). Benefit provisions under the Plan are established by State statute and Local Government 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 (www.calpers.ca.gov).

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 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 the plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018, are summarized in **Tables 31** through **33** as follows:

Table 31

Plan Provisions – Safety Pool (Police)

	TIER 1*		PEPRA
Hire Date	Prior to January 1, 2013		On or After January 1, 1013
Benefit Formula	3% @ 55		2.7% @ 57
Benefit Vesting Schedule	5 years service		5 years service
Benefit Payments	Monthly for life		Monthly for life
Retirement Age	50 (minimum)		50 (minimum)
Monthly Benefits, as a % of Eligible Compensation	2.4% - 3.0% 50 yrs – 55+ yrs		2.0% - 2.7% 50 yrs – 57+ yrs
Required Employee Contribution Rates	9.0%		11.5%
Required Employer Contribution Rates	17.875%		11.990%

* Closed to new entrants.

Table 32

Plan Provisions – Safety Pool (Fire)

	TIER 1*	TIER 2*	PEPRA
Hire Date	Prior to November 25, 2012	On or After November 25, 2012 and Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	3% @ 55	2% @ 55	2% @ 57
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50 (minimum)	50 (minimum)	50 (minimum)
Monthly Benefits, as a % of Eligible Compensation	2.4% - 3.0% 50 yrs – 55+ yrs	1.426% - 2.0% 50 yrs – 55+ yrs	1.426% - 2.0% 50 yrs – 57+ yrs
Required Employee Contribution Rates	9.0%	7.0%	9.5%
Required Employer Contribution Rates	17.875%	12.242%	9.513%

* Closed to new entrants.

Table 33

Plan Provisions – Miscellaneous Pool

	TIER 1*	TIER 2*	2PEPRA
Hire Date	Prior to November 25, 2012	On or After November 25, 2012 and Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2% @ 55	2% @ 60	2% @ 62
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50 (minimum)	50 (minimum)	52 (minimum)
Monthly Benefits, as a % of Eligible Compensation	1.426% - 2.418% 50yrs – 63+ yrs	1.092% - 2.418% 50 yrs – 63+ yrs	1.0% - 2.5% 52 yrs – 67+ yrs
Required Employee Contribution Rates	7.0%	7.0%	6.25%
Required Employer Contribution Rates	8.887%	7.200%	6.533%

* Closed to new entrants.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's contributions to the Plan for the year ended June 30, 2017 were \$4,569,807.

2. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to the Pension.

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$35,969,049.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan was measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using

standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 is summarized in **Table 34**.

Table 34

	Proportion June 30, 2016	Proportion June 30, 2017	Change - Increase/ (Decrease)
Safety	0.400772%	0.404998%	0.004226%
Miscellaneous	0.288874%	0.298565%	0.009691%

For the year ended June 30, 2018, the City recognized pension expense of \$676,762 for the plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the sources identified in **Table 35** below.

Table 35

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,569,807	-
Differences between actual and expected experience	349,780	(348,510)
Changes in assumptions	7,077,124	(541,903)
Differences between the employer's contributions and the employer's proportionate share of contributions	441,340	(851,064)
Changes in employer's proportion	206,797	(2,895,486)
Net difference between projected and actual earnings on plan investments	<u>1,561,520</u>	<u>-</u>
Total	<u>\$ 14,206,368</u>	<u>(4,636,963)</u>

\$4,569,807 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as summarized in **Table 36** below.

Table 36

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ (122,406)
2019	3,814,654
2020	2,225,455
2021	(918,105)
Thereafter	-

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and June 30, 2017 total pension liabilities were based on the actuarial methods and assumptions summarized in **Table 37** below.

Table 37**Actuarial Assumptions**

	Pension Plan
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.75% thereafter.

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study Report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under 'Forms and Publications' (www.calpers.ca.gov).

Change of Assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate. The discount rate used to measure the total pension liability was 7.15 percent 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 the plan that would most likely result in a discount rate different from the actuarially assumed discount rate. Based on the testing, tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to the plan in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section (www.calpers.ca.gov).

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 (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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. 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.

Table 38 below reflects the long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Table 38

Asset Class	New Strategic Allocation	Real Return Years 1- 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

^(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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. Table 39 on the following page presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate.

Table 39

	Discount Rate 1% Decrease 6.15%	Current Discount Rate 7.15%	Discount Rate 1% Increase 8.15%
City's Proportionate Share of the Net Pension Liability:	\$ 59,332,371	35,969,049	16,790,139

Additional Financial and Actuarial Information. Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017, and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency miscellaneous and safety risk pool, which can be found on CalPERS' website (www.calpers.ca.gov).

3. Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$159,975 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

Substantially all full-time employees and their eligible dependents are eligible for post-retirement health care benefits under the CalPERS-sponsored health plans currently funded during the employees' active service.

- 1. Plan Description.** By Council resolution and through agreements with its labor units, the City provides certain health care benefits for employees who retire directly from the City. Employees taking a qualified retirement under the CalPERS system within 120 days of separation from the City may elect to participate in such group health insurance policies as are provided by the City under the following conditions: (a) the unit member must be age 50 and have worked for the City at least 5 years prior to retiring; and (b) all retired unit members shall be eligible for a City-paid contribution up to the applicable cap(s) depending on whether the employee was hired before or after January 1, 2013. Employees hired after January 1, 2013 are

subject to a vesting schedule that ranges from 50% at 10 years of CalPERS service and increasing to 100% at 20 or more years, except for employees taking a disability retirement, whereby they are 100% vested. In addition to the group health insurance, the City will continue to pay the full premiums for both dental and vision insurance, as applicable to each of the respective labor unit agreements as long as the medical premiums are under the respective caps. The plan is a single-employer defined benefit plan. Since no assets are legally segregated for the sole purpose of paying benefits under the Plan, the plan does not issue a separate financial report.

- 2. **Contributions.** The plan is funded on a pay-as-you-go basis. There is no requirement imposed by CalPERS to contribute any amount beyond the pay-as-you-go contributions. No additional contributions have been made to date. The annual contribution is based on the actuarially determined contribution. For the measurement date ended January 1, 2017, the City's cash contributions were \$1,354,228 in total payments, which were recognized as a reduction to the OPEB liability.
- 3. **Employees Covered.** As of the January 1, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Table 40

Active	165
Retirees receiving benefits	102

- 4. **Total OPEB Liability.** The City's Total OPEB liability as of June 30, 2017 was determined by an actuarial valuation dated January 1, 2017 that was rolled forward to determine the June 30, 2017 total OPEB liability.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations as summarized in

Table 41 of the following page.

Table 41

Actuarial Methods and Assumptions – OPEB

Actuarial valuation date	January 1, 2017
Contribution Policy	No pre-funding
Discount Rate	3.58% at June 30, 2017 (Bond Buyer 20-bond Index) 3.85% at June 30, 2016 (Bond Buyer 20-bond Index)
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Actuarial assumptions:	
Inflation	2.75%
Projected salary increases	3.00%
Healthcare cost trend	7.5% (non-Medicare) and 6.5% (Medicare) for 2019, reduced each year thereafter until an ultimate rate of 4.0% is reached in 2076 and later years
Retirement age	Based on CalPERS 1997-2011 Experience Study



4. **OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB.** For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$2,931,076. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

Table 42

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,416,152	-
Changes in assumptions	-	(7,343,000)
Total	\$ 1,416,152	(7,343,000)

The \$1,416,152 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2019.

Table 43

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ (1,300,000)
2019	(1,300,000)
2020	(1,300,000)
2021	(1,300,000)
2022	(1,300,000)
Thereafter	(843,000)
Total	(7,343,000)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

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Change in Assumptions

The discount rate used to measure the total OPEB liability was 3.58 percent.

Changes in the OPEB Liability

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

Table 44

	<u>Increase(Decrease)</u>
	<u>Total OPEB Liability/(Assets)</u>
Balance at June 30,2016 (Measurement Period)	\$ 70,050,000
Changes recognized over the measurement period:	
Service Cost	3,758,000
Interest	2,081,000
Assumption changes	(8,643,000)
Benefit Payments*	<u>(1,546,000)</u>
Net Charges	<u>(4,350,000)</u>
Balance at June 30, 2017 (Measurement date 06/30/2017)	<u>\$ 65,700,000</u>

*Includes implied subsidy of \$192,000

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

The following presents the Total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

Table 45

	1% Decrease	Current	1% Increase
	(2.58%)	Discount Rate	(4.58%)
		(3.58%)	
Total OPEB Liability	\$ 77,968,000	\$ 65,700,000	\$ 56,100,000

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

The following presents the Total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

Table 46

	1% Decrease	Current Healthcare	1% Increase
		Cost Trend Rates	
Total OPEB Liability	\$ 54,716,000	\$ 65,700,000	\$ 80,036,000

NOTE D – TAX ABATEMENT PROGRAMS

In accordance with GASB 77, *Tax Abatements Disclosures*, information related to the City’s Tax Abatement Programs are summarized below, in **Table 47**.

Table 47

Cathedral City Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	TAX ABATEMENT PROGRAMS	
	Local Sales Tax Sharing	Transient Occupancy Tax Sharing
Purpose of the Program	Encourage economic development through commercial growth. Program is designed to retain, expand and attract commercial businesses along with the economic benefits associated with them.	Provide incentive program for the renovation and opening of existing and new hotel facilities. The program is designed to enhance the tourist and travel experiences of City visitors, provide amenities to the public, assist the City in achieving tourism goals and increase the transient occupancy tax revenue of the City.
Tax Being Abated	Local Sales Tax (LST)	Transient Occupancy Tax (TOT)
Authority under which abatement agreements are entered	Cathedral City (CC) Ordinance 730 § 1, 2013; CC Ordinance 712 § 1, 2012	CC Ordinance 729 § 1, 2013; CC Ordinance 713 § 1, 2012
Criteria to be eligible to receive abatement	All applicants must demonstrate a need for the improvement and provide evidence of the ability to construct the improvement to the satisfaction of the City.	All applicants must demonstrate a need for the improvement and provide evidence of the ability to construct the improvement to the satisfaction of the City.
How recipient’s taxes are reduced	Entities with sharing agreements, receive a rebate of LST after they have filed and paid all required taxes within a reporting period.	Entities with sharing agreements, receive a rebate of TOT after they have filed and paid all required taxes within a reporting period.
How amount of abatement is determined	A percentage is applied to the eligible LST increment.	A percentage is applied to the eligible TOT increment.
Provisions for recapturing abated taxes	N/A	N/A
Types of commitments made by the City other than to reduce taxes	N/A	N/A
Gross dollar amount, on accrual basis, by which the City’s tax revenues were reduced as a result of abatement agreement	\$167,605	\$390,252

NOTE E – JOINTLY GOVERNED ORGANIZATION

On July 16, 2008, the City joined with the cities of Indio, Palm Springs, Beaumont and Desert Hot Springs to create the Eastern Riverside County Interoperable Communications Authority (ERICA) by a joint exercise of powers agreement under the laws of the State of California. The primary purpose of ERICA is to acquire, plan, design, finance, construct, operate, and maintain a regional communications system serving the Coachella Valley and individual political jurisdictions therein. ERICA is governed by a Board of Directors, which consists of one official of the governing body of each member agency, who shall be appointed by the governing body. The debts, liabilities, and obligations of ERICA do not constitute debts, liabilities, or obligations of the member agencies, either jointly or severally.

During the year ended June 30, 2018, the City reimbursed the City of Indio \$214,499 for its proportional share of ongoing costs.



NOTE F – CONTINGENCIES

The City is a defendant in pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

The City is self-insured and participates in a public entity risk pool as described in **Note IV-A**.

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REQUIRED SUPPLEMENTARY INFORMATION



City of Cathedral City, California



City of Cathedral City, California

Required Supplementary Information Budgetary Comparison Schedule — General Fund

For the Year Ended June 30, 2018

	General Fund (Fund 100)			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 33,872,308	33,872,308	34,319,181	446,873
Intergovernmental	50,000	50,000	117,919	67,919
Licenses and permits	1,297,500	1,297,500	1,876,558	579,058
Fines and forfeitures	185,000	185,000	138,542	(46,458)
Charges for services	4,159,223	4,159,223	5,802,638	1,643,415
Special assessments	85,000	85,000	116,728	31,728
Use of money and property	222,500	222,500	298,364	75,864
Contributions from other governments	439,791	439,791	533,216	93,425
Other revenue	180,000	180,000	218,606	38,606
Total Revenues	40,491,322	40,491,322	43,421,752	2,930,430
Expenditures				
Current:				
General government	10,999,395	10,964,395	10,795,178	169,217
Community development	3,254,010	3,254,010	3,445,211	(191,201)
Culture and recreation	526,100	480,269	456,278	23,991
Public safety	26,606,275	26,606,275	26,520,138	86,137
Public works	665,053	665,053	743,523	(78,470)
Debt service:				
Principal	255,897	255,897	255,897	-
Interest	21,842	21,842	21,842	-
Total Expenditures	42,328,572	42,247,741	42,238,067	9,674
Excess of revenues over expenditures	(1,837,250)	(1,756,419)	1,183,685	2,940,104
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(444,960)	(444,960)	(421,770)	23,190
Proceeds from sale of capital assets	-	-	126,848	126,848
Total Other Financing Sources (Uses)	(444,960)	(444,960)	(294,922)	150,038
Net change in fund balance	(2,282,210)	(2,201,379)	888,763	3,090,142
Fund balance — July 1 (budgetary)	21,110,389	21,110,389	21,110,389	-
Fund balance — June 30 (budgetary)	18,828,179	18,909,010	21,999,152	3,090,142
Adjustments to Conform to GAAP:				
GASB Statement No. 54 reporting adjustments:				
Special Deposits fund balance			165,205	
Big League Dreams fund balance			3,555,974	
Fund balance — June 30 (GAAP)			25,720,331	

See note to required supplementary information.

Required Supplementary Information Budgetary Comparison Schedule — Major Special Revenue Funds

For the Year Ended June 30, 2018

	Developer Fees			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Development fees	\$ 20,000	588,374	522,798	(65,576)
Use of money and property	4,700	4,700	631	(4,069)
Other revenue	-	-	-	-
Total Revenues	24,700	593,074	523,429	(69,645)
Expenditures				
Current:				
Community development	150,000	150,000	126,701	23,299
Capital outlay	83,047	568,374	489,247	79,127
Total Expenditures	233,047	718,374	615,948	102,426
Excess of revenues over expenditures	(208,347)	(125,300)	(92,519)	32,781
Other Financing Sources				
Transfers in	150,000	150,000	126,701	(23,299)
Total Other Financing Sources	150,000	150,000	126,701	(23,299)
Special Item				
Loss on sale of assets held for disposition	-	-	-	-
Net change in fund balance	(58,347)	24,700	34,182	9,482
Fund balance — July 1 (budgetary)	93,796	93,796	93,796	-
Fund balance — June 30 (budgetary)	35,449	118,496	127,978	9,482

See note to required supplementary information.

Successor Housing Agency				
Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	
-	-	-	-	Revenues
7,000	7,700	40,316	32,616	Development fees
100,000	100,000	125,345	25,345	Use of money and property
107,000	107,700	165,661	57,961	Other revenue
				Total Revenues
				Expenditures
283,938	283,938	261,154	22,784	Current:
-	-	-	-	Community development
283,938	283,938	261,154	22,784	Capital outlay
				Total Expenditures
(176,938)	(176,238)	(95,493)	80,745	Excess of revenues over expenditures
-	-	-	-	Other Financing Sources
-	-	-	-	Transfers in
				Total Other Financing Sources
-	-	(1,101,793)	(1,101,793)	Special Item
(176,938)	(176,238)	(1,197,286)	(1,021,048)	Loss on sale of note receivable
17,193,342	17,193,342	17,193,342	-	Net change in fund balance
				Fund balance — July 1 (budgetary)
17,016,404	17,017,104	15,996,056	(1,021,048)	Fund balance — June 30 (budgetary)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULES

NOTE A – BUDGETARY INFORMATION

- 1. Budgetary Data.** The City adopted a biennial budget for fiscal years 2017/18 and 2018/19 in May 2017. The budget was prepared on the modified accrual basis of accounting for the General Fund and special revenue funds. Budgetary data for the debt service and capital projects funds are not presented herein, as the budgets for these funds are long-term in nature.

The City Manager and Administrative Services Director prepare and submit the biennial budget to City Council for adoption prior to June 30 in odd numbered years and administer it after adoption. The annual appropriation limit is approved by City Council prior to the beginning of the annual budget period. All appropriations lapse at year-end.

The legal level for which expenditures are not to exceed appropriations is the fund level for all funds. The General Fund monitors appropriations at the department level. The Administrative Services Director is authorized to adjust General Fund appropriations between departments or activities, provided that the total appropriations for all departments do not exceed the amounts approved in the adopted budget and any subsequent amending resolutions. Such adjustments will be made only upon written request to the City Manager and/or Administrative Services Director on forms prescribed and approved by the Administrative Services Director. Once the written request is properly executed and approved, the funds will be made available. Transfers of cash or unappropriated fund balance from one fund to another can be made with the approval of the Administrative Services Director. Unexpended appropriations for authorized, but uncompleted, projects in the capital improvements budget can be carried forward to the next succeeding budget upon approval of the City Manager or the Administrative Services Director.

For reporting purposes, the General Fund includes the following funds: the General Fund (Fund 100), Big League Dreams (Fund 431) and Special Deposits (Fund 711). The Big League Dreams fund accounts for the loan made by the City to a developer for constructing a sports complex (Big League Dreams). The Special Deposits fund accounts for deposits held by the City for others, such as developer security deposits, particulate matter (PM-10) deposits and business owner deposits. The latter two funds do not meet the fund type definitions included in GASB Statement No. 54 and are reported as part of the General Fund for GAAP reporting.

- 2. Annual Appropriations Limit.** Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2017, proceeds of taxes did not exceed appropriations.



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**Required Supplementary Information —
Schedule of the City's Proportionate Share of the Net Pension Liability**

Last Ten Fiscal Years

Safety	Fiscal Year				
	2009	2010	2011	2012	2013
Proportion of the net pension liability	NA	NA	NA	NA	NA
Proportionate share of the net pension liability	NA	NA	NA	NA	NA
Covered payroll	NA	NA	NA	NA	NA
Proportionate share of the net pension liability as a percentage of covered payroll	NA	NA	NA	NA	NA
Plan fiduciary net position as a percentage of the total pension liability	NA	NA	NA	NA	NA

Miscellaneous	Fiscal Year				
	2009	2010	2011	2012	2013
Proportion of the net pension liability	NA	NA	NA	NA	NA
Proportionate share of the net pension liability	NA	NA	NA	NA	NA
Covered payroll	NA	NA	NA	NA	NA
Proportionate share of the net pension liability as a percentage of covered payroll	NA	NA	NA	NA	NA
Plan fiduciary net position as a percentage of the total pension liability	NA	NA	NA	NA	NA

Notes to Schedule:

Note 1: Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

Note 2: Amounts reported are for the measurement date, which is one year prior to the reporting date. For example Fiscal Year 2015 data is for the measurement date of June 30, 2014.

Source: 2016 - GASB 68 Accounting Valuation Report - Safety Police Plan (CalPERS); GASB 68 Accounting Valuation Report - PEPRSA Safety Police Plan (CalPERS); GASB 68 Accounting Valuation Report - Safety Fire Plan (CalPERS); GASB 68 Accounting Valuation Report - Miscellaneous First Tier Plan (CalPERS); 2017 - GASB 68 Accounting Valuation Report - Safety Risk Pool (CalPERS); GASB 68 Accounting Valuation Report - Miscellaneous Risk Pool (CalPERS)

Fiscal Year					
2014	2015	2016	2017	2018	
NA	0.254740%	0.370020%	0.400772%	0.345543%	Proportion of the net pension liability
NA	15,850,966	15,246,470	20,756,881	24,199,444	Proportionate share of the net pension liability
NA	8,550,024	8,455,958	9,570,575	9,840,773	Covered payroll
NA	185.39%	180.30%	216.88%	245.91%	Proportionate share of the net pension liability as a percentage of covered payroll
NA	82.30%	77.27%	78.69%	79.72%	Plan fiduciary net position as a percentage of the total pension liability

Fiscal Year					
2014	2015	2016	2017	2018	
NA	0.18658%	0.270385%	0.288874%	0.262145%	Proportion of the net pension liability
NA	11,610,177	7,417,913	10,035,138	11,769,605	Proportionate share of the net pension liability
NA	5,154,876	5,827,132	6,598,156	7,365,413	Covered payroll
NA	225.23%	127.30%	152.09%	159.80%	Proportionate share of the net pension liability as a percentage of covered payroll
NA	74.04%	79.89%	78.93%	78.87%	Plan fiduciary net position as a percentage of the total pension liability

**Required Supplementary Information —
Schedule of Contributions**

Last Ten Fiscal Years

Safety	Fiscal Year				
	2009	2010	2011	2012	2013
Contractually required contributions (actuarially determined)					
Contributions in relation to the actuarially determined contributions					
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	NA	NA	NA	NA	NA
Contributions as a percentage of covered-payroll	NA	NA	NA	NA	NA

Miscellaneous	Fiscal Year				
	2009	2010	2011	2012	2013
Contractually required contributions (actuarially determined)					
Contributions in relation to the actuarially determined contributions					
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	NA	NA	NA	NA	NA
Contributions as a percentage of covered-payroll	NA	NA	NA	NA	NA

Notes to Schedule:

Note 1: Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

Note 2: *Change of assumption:* Discount rate was increased to 7.65% in FY 2016 (measurement date 6/30/2015) from 7.50% in FY 2015 (measurement date 6/30/2014).

Source: City of Cathedral City financial records

Fiscal Year					
2014	2015	2016	2017	2018	
	1,815,106	1,513,632	2,595,594	3,070,822	Contractually required contributions (actuarially determined)
	(1,815,106)	(1,513,632)	(2,595,594)	(3,070,822)	Contributions in relation to the actuarially determined contributions
-	-	-	-	-	Contribution deficiency (excess)
NA	8,455,958	9,570,575	9,840,773	11,136,589	Covered payroll
NA	21.47%	15.82%	26.38%	27.57%	Contributions as a percentage of covered-payroll

Fiscal Year					
2014	2015	2016	2017	2018	
	742,834	524,469	1,377,778	1,498,985	Contractually required contributions (actuarially determined)
	(742,834)	(524,469)	(1,377,778)	(1,498,985)	Contributions in relation to the actuarially determined contributions
-	-	-	-	-	Contribution deficiency (excess)
NA	5,827,132	6,598,156	7,365,413	8,144,720	Covered payroll
NA	12.75%	7.95%	18.71%	18.40%	Contributions as a percentage of covered-payroll

**Required Supplementary Information —
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**
Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Total OPEB Liability					
Service Cost	NA	NA	NA	NA	NA
Interest on the Total OPEB Liability	NA	NA	NA	NA	NA
Actual and expected experience difference	NA	NA	NA	NA	NA
Changes in assumptions	NA	NA	NA	NA	NA
Changes in benefit terms	NA	NA	NA	NA	NA
Benefit payments (2)	NA	NA	NA	NA	NA
Net change in total OPEB liability	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
Total OPEB liability - beginning	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
Total OPEB liability - ending (a)	<u><u>NA</u></u>	<u><u>NA</u></u>	<u><u>NA</u></u>	<u><u>NA</u></u>	<u><u>NA</u></u>
Covered payroll	NA	NA	NA	NA	NA
Total OPEB liability as a percentage of covered payroll	NA	NA	NA	NA	NA

Notes to Schedule:

Note 1: Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Note 2: Includes implied subsidy

Fiscal Year					
2014	2015	2016	2017	2018	
					Total OPEB Liability
NA	NA	NA	NA	\$ 3,758,000	Service Cost
NA	NA	NA	NA	2,081,000	Interest on the Total OPEB Liability
NA	NA	NA	NA	-	Actual and expected experience difference
NA	NA	NA	NA	(8,643,000)	Changes in assumptions
NA	NA	NA	NA	-	Changes in benefit terms
NA	NA	NA	NA	(1,546,000)	Benefit payments (2)
N/A	N/A	N/A	N/A	(4,350,000)	Net change in total OPEB liability
N/A	N/A	N/A	N/A	70,050,000	Total OPEB liability - beginning
N/A	N/A	N/A	N/A	\$65,700,000	Total OPEB liability - ending (a)
NA	NA	NA	NA	\$ -	Covered payroll
NA	NA	NA	NA	\$ -	Total OPEB liability as a percentage of covered payroll

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GOVERNMENTAL FUNDS



City of Cathedral City, California



City of Cathedral City, California

Combining Schedule of Accounts — General Fund

June 30, 2018

	General Fund - As Reported			
	General Fund (Fund 100)	Big League Dreams (Fund 431)	Special Deposits (Fund 711)	Total
Assets				
Cash and investments	\$ 17,467,580	756,223	732,430	18,956,233
Interest receivable	91,099	52,077	3,248	146,424
Accounts receivable	4,445,002	-	3	4,445,005
Loans receivable	3,408,634	2,747,674	-	6,156,308
Prepaid assets	16,298	-	-	16,298
Total Assets	\$ 25,428,613	3,555,974	735,681	29,720,268
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,149,085	-	48,958	2,198,043
Intergovernmental payable	5,775	-	-	5,775
Deposits from others	5,394	-	521,518	526,912
Unearned revenue	258,681	-	-	258,681
Total Liabilities	2,418,935	-	570,476	2,989,411
Deferred Inflows of Resources:				
Unavailable revenue	1,010,526	-	-	1,010,526
Total Deferred Inflows of Resources	1,010,526	-	-	1,010,526
Fund Balances:				
Nonspendable	16,298	-	-	16,298
Restricted	50,000	2,747,674	-	2,797,674
Assigned	2,021,604	808,300	-	2,829,904
Unassigned	19,911,250	-	165,205	20,076,455
Total Fund Balances	21,999,152	3,555,974	165,205	25,720,331
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,428,613	3,555,974	735,681	29,720,268

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances — General Fund

For the Year Ended June 30, 2018

	General Fund - As Reported			Total
	General Fund (Fund 100)	Big League Dreams (Fund 431)	Special Deposits (Fund 711)	
Revenues				
Taxes	\$ 34,319,181	-	-	34,319,181
Intergovernmental	117,919	-	-	117,919
Licenses and permits	1,876,558	-	-	1,876,558
Fines and forfeitures	138,542	-	-	138,542
Charges for services	5,802,638	-	-	5,802,638
Special assessments	116,728	-	-	116,728
Use of money and property	298,364	204,326	4,942	507,632
Contributions from other governments	533,216	-	-	533,216
Other revenue	218,606	-	-	218,606
Total Revenues	43,421,752	204,326	4,942	43,631,020
Expenditures				
Current:				
General government	10,795,178	-	-	10,795,178
Community development	3,445,211	-	-	3,445,211
Culture and recreation	456,278	1,850	-	458,128
Public safety	26,520,138	-	-	26,520,138
Public works	743,523	-	-	743,523
Debt service:				
Principal	255,897	-	-	255,897
Interest	21,842	-	-	21,842
Total Expenditures	42,238,067	1,850	-	42,239,917
Excess of revenues over expenditures	1,183,685	202,476	4,942	1,391,103
Other Financing Sources (Uses)				
Transfers out	(421,770)	(377,064)	-	(798,834)
Proceeds from sale of capital assets	126,848	-	-	126,848
Total Other Financing Sources (Uses)	(294,922)	(377,064)	-	(671,986)
Net change in fund balances	888,763	(174,588)	4,942	719,117
Fund balances — July 1	21,110,389	3,730,562	160,263	25,001,214
Fund Balances — June 30	\$ 21,999,152	3,555,974	165,205	25,720,331

Schedule of Expenditures Compared with Authorizations — General Fund

For the Year Ended June 30, 2018

	General Fund (Fund 100)			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Administration				
City Council	\$ 277,007	277,007	256,615	20,392
City Clerk	275,377	275,377	286,575	(11,198)
City Attorney	150,000	150,000	144,750	5,250
City Management	485,690	485,690	472,684	13,006
Administrative Services	7,564,327	7,564,327	7,670,180	(105,853)
Nondepartmental	2,246,994	2,211,994	1,964,374	247,620
Community Development				
Development Services	3,254,010	3,254,010	3,445,221	(191,211)
Public Works	665,053	665,053	743,523	(78,470)
Public Safety				
Police	15,895,769	15,895,769	15,895,673	96
Fire	10,710,506	10,710,506	10,624,465	86,041
Total	\$ 41,524,733	41,489,733	41,504,060	(14,327)

Note 1: Amounts include expenditures and transfers out.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

1. **Master Underground Plan.** Accounts for the cost of burying above ground utility lines. Financing is provided by developer fees.
2. **Traffic Safety.** Accounts for traffic safety signal installation, maintenance, and road repairs. Financing is provided by vehicle code fines collected by the County of Riverside.
3. **City Mitigation Fee (formerly Transfer Station Road).** Accounts for revenues collected by the County of Riverside as a City mitigation fee. Funds are to be used for road construction and maintenance of roadways to access the Edom Hill Transfer Station and various signalization requirements. Any excess funds are to be used for any streets or public services within the City.
4. **Public Education Government (PEG) Fees.** Accounts for funds received from local cable companies to be used for funding local public education and government access stations.
5. **State Gas Tax.** Accounts for street improvements and engineering costs. Financing is provided by the City's allocation of the state gasoline taxes.
6. **Air Quality Improvement.** Accounts for revenues received under AB 2766. Expenditures are restricted to being used for air pollution reduction.
7. **Measure A.** Accounts for revenues provided by the County of Riverside Measure A allocation. These funds are used for street improvements and engineering costs.
8. **Asset Forfeiture.** Accounts for expenditures incurred in narcotics interdiction efforts. Financing is provided by seized assets awarded by the court.
9. **Solid Waste.** Accounts for revenues received under AB 939. Expenditures are limited to programs that initiate recycling efforts through the City.
10. **Police Grants.** Accounts for revenues and expenditures related to state and federal grants for the City's Police Department.
11. **Road Maintenance and Rehabilitation Account (RMRA).** Accounts for street improvements and engineering costs. Financing is provided by the City's allocation of the 12 cent state gasoline tax augmentation.
12. **Community Development Block Grant.** Accounts for projects designated in the annual action plan. Financing is provided by the U.S. Department of Housing and Urban Development.
13. **Police Department Special Revenues.** Accounts for receipts collected that are restricted for expenditures related to the City's Police Department projects.
14. **Fire Department Special Revenues.** Accounts for revenues and expenditures related to state and federal grants and receipts collected that are restricted for expenditures related to the City's Fire Department projects.
15. **Landscape and Lighting District.** Accounts for special assessments levied on real property and expenditures to provide landscaping and street lighting maintenance to the zones within the district.

DEBT SERVICE FUNDS

Debt service funds are used primarily to account for the accumulation of resources for the payment of principal and interest on long-term debt. The City has no nonmajor debt service funds.

CAPITAL PROJECTS FUNDS

Capital projects funds account for the financial resources to be used for the acquisition, construction, or improvements of major capital facilities and infrastructure.

1. **Police and Fire Facilities.** Accounts for the purchase of police and fire land, buildings, and replacement equipment. Financing is provided by developer fees.
2. **Traffic Signalization.** Accounts for the installation of traffic signals. Financing is provided by developer fees.
3. **Assessment District 85-1.** Accounts for curbs, gutters, and sewer construction within Assessment District 85-1. Financing is provided from the Limited Obligation Improvement Bonds issued.
4. **Assessment District 86-1.** Accounts for certain street, water, and sewer improvements within Assessment District 86-1. Financing is provided from the Limited Obligation Improvement Bonds issued.
5. **Assessment District 86-5.** Accounts for certain street, water, and sewer improvements within Assessment District 86-5. Financing is provided from the Limited Obligation Improvement Bonds issued.
6. **Assessment District 87-2.** Accounts for certain street, water, and sewer improvements within Assessment District 87-2. Financing is provided from the Limited Obligation Improvement Bonds issued.
7. **Assessment District 88-2.** Accounts for improvements within Assessment District 88-2. Financing is provided from the Limited Obligation Improvement Bonds issued.
8. **Assessment District 88-3.** Accounts for improvements within Assessment District 88-3. Financing is provided from the Limited Obligation Improvement Bonds issued.
9. **Assessment District 96-1.** Accounts for improvements within Assessment District 96-1. Financing is provided from the Limited Obligation Improvement Bonds issued.
10. **Assessment District 2001-01.** Accounts for improvements within Assessment District 2001-01. Financing is provided from the Limited Obligation Improvement Bonds issued.
11. **CFD Rio Vista.** Accounts for improvements within the Rio Vista Community Facilities District. Financing is provided by contributions from property owners.
12. **Assessment District 2003-01.** Accounts for improvements within Assessment District 2003-01. Financing is provided from the Limited Obligation Improvement Bonds issued.
13. **Assessment District 2004-01.** Accounts for improvements within Assessment District 2004-01. Financing is provided from the Limited Obligation Improvement Bonds issued.
14. **Assessment District 2004-02.** Accounts for improvements within Assessment District 2004-02. Financing is provided from the Limited Obligation Improvement Bonds issued.

Combining Balance Sheet — Nonmajor Governmental Funds by Fund Type

June 30, 2018

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 7,957,599	3,767,982	11,725,581
Receivables:			
Interest	35,279	6,619	41,898
Accounts	694,823	35,104	729,927
Prepaid assets	1,755	-	1,755
Restricted assets:			
Cash and investments with fiscal agent	-	129,437	129,437
Total Assets	\$ 8,689,456	3,939,142	12,628,598
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable	\$ 259,172	76,552	335,724
Intergovernmental payable	13,471	-	13,471
Total Liabilities	272,643	76,552	349,195
Deferred Inflows of Resources:			
Unavailable revenue	14,317	-	14,317
Total Deferred Inflows of Resources	14,317	-	14,317
Fund Balances:			
Nonspendable	1,755	-	1,755
Restricted	8,400,741	3,862,590	12,263,331
Total Fund Balances	8,402,496	3,862,590	12,265,086
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,689,456	3,939,142	12,628,598

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Governmental Funds by Fund Type

For the Year Ended June 30, 2018

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	\$ 3,716,292	99,000	3,815,292
Fines and forfeitures	357,577	-	357,577
Charges for services	1,402,772	-	1,402,772
Special assessments	467,890	35,104	502,994
Development fees	72,225	83,250	155,475
Use of money and property	50,033	12,441	62,474
Other revenue	103,428	3,372	106,800
Total Revenues	6,170,217	233,167	6,403,384
Expenditures			
Current:			
General government	384,584	-	384,584
Community development	1,007,297	332,667	1,339,964
Public safety	871,214	-	871,214
Public works	2,855,257	-	2,855,257
Capital outlay	1,408,318	2,341,887	3,750,205
Total Expenditures	6,526,670	2,674,554	9,201,224
Excess (deficiency) of revenues over (under) expenditures	(356,453)	(2,441,387)	(2,797,840)
Other Financing Sources (Uses)			
Transfers in	174,062	-	174,062
Transfers out	-	-	-
Total Other Financing Sources (Uses)	174,062	-	174,062
Net change in fund balances	(182,391)	(2,441,387)	(2,623,778)
Fund balances — July 1	8,584,887	6,303,977	14,888,864
Fund Balances — June 30	\$ 8,402,496	3,862,590	12,265,086

Combining Balance Sheet — Nonmajor Special Revenue Funds

June 30, 2018

	Master Underground Plan	Traffic Safety	City Mitigation Fee	PEG Fees
Assets				
Cash and investments	\$ 1,817,931	1,007,237	2,016,009	215,948
Receivables:				
Interest	8,065	4,468	8,943	958
Accounts	-	21,197	53,375	27,763
Prepaid assets	-	-	-	-
Total Assets	\$ 1,825,996	1,032,902	2,078,327	244,669
Liabilities, Deferred Inflow of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ -	15,405	3,270	-
Intergovernmental payable	-	-	-	-
Total Liabilities	-	15,405	3,270	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	1,825,996	1,017,497	2,075,057	244,669
Total Fund Balances	1,825,996	1,017,497	2,075,057	244,669
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,825,996	1,032,902	2,078,327	244,669

State Gas Tax	Air Quality Improvement	Measure A	Asset Forfeiture	
370,618	361,975	156,591	241,605	Assets
				Cash and investments
1,305	1,607	695	1,072	Receivables:
1,045	17,962	324,651	-	Interest
-	-	-	-	Accounts
<u>372,968</u>	<u>381,544</u>	<u>481,937</u>	<u>242,677</u>	Prepaid assets
				Total Assets
				Liabilities, Deferred Inflow of Resources, and Fund Balances
				Liabilities:
31,979	-	50,607	-	Accounts payable
-	13,471	-	-	Intergovernmental payable
<u>31,979</u>	<u>13,471</u>	<u>50,607</u>	<u>-</u>	Total Liabilities
				Deferred Inflows of Resources:
-	-	-	-	Unavailable revenue
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total Deferred Inflows of Resources
				Fund Balances:
-	-	-	-	Nonspendable
340,989	368,073	431,330	242,677	Restricted
<u>340,989</u>	<u>368,073</u>	<u>431,330</u>	<u>242,677</u>	Total Fund Balances
<u>372,968</u>	<u>381,544</u>	<u>481,937</u>	<u>242,677</u>	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

continued

Combining Balance Sheet — Nonmajor Special Revenue Funds (continued)

June 30, 2018

	Solid Waste	Police Grants	Road Maintenance and Rehabilitation	Community Development Block Grant
Assets				
Cash and investments	\$ 1,017,169	144,601	264,779	16,443
Receivables:				
Interest	4,852	646	1,175	74
Accounts	90,711	25,000	47,442	61,503
Prepaid assets	-	985	-	-
Total Assets	\$ 1,112,732	171,232	313,396	78,020
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 73,704	675	431	62,339
Intergovernmental payable	-	-	-	-
Total Liabilities	73,704	675	431	62,339
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	985	-	-
Restricted	1,039,028	169,572	312,965	15,681
Total Fund Balances	1,039,028	170,557	312,965	15,681
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,112,732	171,232	313,396	78,020

Police Department Special Revenues	Fire Department Special Revenues	Landscape and Lighting District	Total	
188,530	27,289	110,874	7,957,599	Assets
836	91	492	35,279	Cash and investments
-	17,097	7,077	694,823	Receivables:
-	-	770	1,755	Interest
189,366	44,477	119,213	8,689,456	Accounts
				Prepaid assets
				Total Assets
				Liabilities, Deferred Inflows of Resources, and Fund Balances
368	-	20,394	259,172	Liabilities:
-	-	-	13,471	Accounts payable
368	-	20,394	272,643	Intergovernmental payable
				Total Liabilities
				Deferred Inflows of Resources:
-	14,317	-	14,317	Unavailable revenue
-	14,317	-	14,317	Total Deferred Inflows of Resources
				Fund Balances:
-	-	770	1,755	Nonspendable
188,998	30,160	98,049	8,400,741	Restricted
188,998	30,160	98,819	8,402,496	Total Fund Balances
				Total Liabilities, Deferred Inflows of Resources, and Fund Balances
189,366	44,477	119,213	8,689,456	

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018

	Master Underground Plan	Traffic Safety	City Mitigation Fee	PEG Fees
Revenues				
Intergovernmental	\$ -	-	-	-
Fines and forfeitures	-	357,577	-	-
Charges for services	-	-	322,618	117,968
Special assessments	-	-	-	-
Development fees	72,225	-	-	-
Use of money and property	11,923	6,643	13,065	973
Other revenue	-	-	-	13,812
Total Revenues	84,148	364,220	335,683	132,753
Expenditures				
Current:				
General government	-	42,317	-	-
Community development	-	-	118,725	-
Public safety	-	322,471	-	-
Public works	-	-	-	-
Capital outlay	-	3,927	12,785	6,271
Total Expenditures	-	368,715	131,510	6,271
Excess (deficiency) of revenues over (under) expenditures	84,148	(4,495)	204,173	126,482
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balances	84,148	(4,495)	204,173	126,482
Fund balances — July 1	1,741,848	1,021,992	1,870,884	118,187
Fund Balances — June 30	\$ 1,825,996	1,017,497	2,075,057	244,669

State Gas Tax	Air Quality Improvement	Measure A	Asset Forfeiture	
1,232,843	17,415	1,474,000	-	Revenues
-	-	-	-	Intergovernmental
57,793	-	57,793	-	Fines and forfeitures
-	-	-	-	Charges for services
-	-	-	-	Special assessments
3,139	2,509	2,373	1,646	Development fees
-	-	-	-	Use of money and property
1,293,775	19,924	1,534,166	1,646	Other revenue
				Total Revenues
				Expenditures
				Current:
91,426	-	117,920	-	General government
-	-	219,825	-	Community development
-	-	-	-	Public safety
1,076,447	-	1,125,978	-	Public works
1,289,175	-	85,609	-	Capital outlay
2,457,048	-	1,549,332	-	Total Expenditures
(1,163,273)	19,924	(15,166)	1,646	Excess (deficiency) of revenues over (under) expenditures
				Other Financing Sources (Uses)
-	-	-	-	Transfers in
-	-	-	-	Transfers out
-	-	-	-	Total Other Financing Sources (Uses)
(1,163,273)	19,924	(15,166)	1,646	Net change in fund balances
1,504,262	348,149	446,496	241,031	Fund balances — July 1
340,989	368,073	431,330	242,677	Fund Balances — June 30

continued

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds (continued)

For the Year Ended June 30, 2018

	Solid Waste	Police Grants	Road Maintenance and Rehabilitation	Community Development Block Grant
Revenues				
Intergovernmental	\$ 13,809	206,068	313,511	172,633
Fines and forfeitures	-	-	-	-
Charges for services	846,600	-	-	-
Special assessments	-	-	-	-
Development fees	-	-	-	-
Use of money and property	5,352	806	(115)	(2)
Other revenue	-	-	-	1,875
Total Revenues	865,761	206,874	313,396	174,506
Expenditures				
Current:				
General government	78,483	-	-	-
Community development	506,234	-	-	162,513
Public safety	-	168,521	-	-
Public works	-	-	-	-
Capital outlay	-	-	431	10,120
Total Expenditures	584,717	168,521	431	172,633
Excess (deficiency) of revenues over (under) expenditures	281,044	38,353	312,965	1,873
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balances	281,044	38,353	312,965	1,873
Fund balances — July 1	757,984	132,204	-	13,808
Fund Balances — June 30	\$ 1,039,028	170,557	312,965	15,681

Police Department Special Revenues	Fire Department Special Revenues	Landscape and Lighting District	Total	
-	286,013	-	3,716,292	Revenues
-	-	-	357,577	Intergovernmental
-	-	-	1,402,772	Fines and forfeitures
-	-	467,890	467,890	Charges for services
-	-	-	72,225	Special assessments
1,495	226	-	50,033	Development fees
61,716	26,025	-	103,428	Use of money and property
63,211	312,264	467,890	6,170,217	Other revenue
				Total Revenues
				Expenditures
				Current:
-	-	54,438	384,584	General government
-	-	-	1,007,297	Community development
132,904	247,318	-	871,214	Public safety
-	-	652,832	2,855,257	Public works
-	-	-	1,408,318	Capital outlay
132,904	247,318	707,270	6,526,670	Total Expenditures
				Excess (deficiency) of revenues over (under) expenditures
(69,693)	64,946	(239,380)	(356,453)	
				Other Financing Sources (Uses)
-	-	174,062	174,062	Transfers in
-	-	-	-	Transfers out
-	-	174,062	174,062	Total Other Financing Sources (Uses)
				Net change in fund balances
(69,693)	64,946	(65,318)	(182,391)	Fund balances — July 1
258,691	(34,786)	164,137	8,584,887	
188,998	30,160	98,819	8,402,496	Fund Balances — June 30

**Schedule of Revenues, Expenditures, and Changes in Fund Balances —
Budget and Actual – Nonmajor Special Revenue Funds**

For the Year Ended June 30, 2018

	Master Underground Plan		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Fines and forfeitures	\$ -	-	-
Development fees	16,500	72,225	55,725
Use of money and property	11,500	11,923	423
Total Revenues	28,000	84,148	56,148
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Capital outlay	-	-	-
Total Expenditures	-	-	-
Excess of revenues over expenditures	28,000	84,148	56,148
Net change in fund balances	28,000	84,148	56,148
Fund balances — July 1	1,741,848	1,741,848	-
Fund Balances — June 30	\$ 1,769,848	1,825,996	56,148

Traffic Safety			
Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	
360,000	357,577	(2,423)	Revenues
-	-	-	Fines and forfeitures
6,500	6,643	143	Development fees
366,500	364,220	(2,280)	Use of money and property
			Total Revenues
			Expenditures
			Current:
42,000	42,317	(317)	General government
328,940	322,471	6,469	Public safety
60,000	3,927	56,073	Capital outlay
430,940	368,715	62,225	Total Expenditures
(64,440)	(4,495)	59,945	Excess of revenues over expenditures
(64,440)	(4,495)	59,945	Net change in fund balances
1,021,992	1,021,992	-	Fund balances — July 1
957,552	1,017,497	59,945	Fund Balances — June 30

continued

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual – Nonmajor Special Revenue Funds (continued)

For the Year Ended June 30, 2018

	Final Budgeted Amounts	Actual Amounts	City Mitigation Fee Variance with Final Budget - Positive - (Negative)
Revenues			
Charges for services	\$ 300,000	322,618	22,618
Use of money and property	6,000	13,065	7,065
Other revenue	-	-	-
Total Revenues	306,000	335,683	29,683
Expenditures			
Current:			
Community development	75,000	118,725	(43,725)
Capital outlay	250,000	12,785	237,215
Total Expenditures	325,000	131,510	193,490
Excess (deficiency) of revenues over (under) expenditures	(19,000)	204,173	223,173
Net change in fund balances	(19,000)	204,173	223,173
Fund balances — July 1	1,870,884	1,870,884	-
Fund Balances — June 30	\$ 1,851,884	2,075,057	223,173

Final Budgeted Amounts	Actual Amounts	PEG Fees Variance with Final Budget - Positive (Negative)	
85,000	117,968	32,968	Revenues
2,100	973	(1,127)	Charges for services
-	13,812	13,812	Use of money and property
87,100	132,753	45,653	Other revenue
			Total Revenues
			Expenditures
-	-	-	Current:
-	6,271	(6,271)	Community development
-	6,271	(6,271)	Capital outlay
			Total Expenditures
87,100	126,482	39,382	Excess (deficiency) of revenues over (under) expenditures
87,100	126,482	39,382	Net change in fund balances
118,187	118,187	-	Fund balances — July 1
205,287	244,669	39,382	Fund Balances — June 30

continued

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual – Nonmajor Special Revenue Funds (continued)

For the Year Ended June 30, 2018

	Final Budgeted Amounts	Actual Amounts	State Gas Tax Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 1,455,737	1,232,843	(222,894)
Charges for services	15,000	57,793	42,793
Use of money and property	17,000	3,139	(13,861)
Total Revenues	1,487,737	1,293,775	(193,962)
Expenditures			
Current:			
General government	91,426	91,426	-
Public works	1,068,309	1,076,447	(8,138)
Capital outlay	1,679,678	1,289,175	390,503
Total Expenditures	2,839,413	2,457,048	382,365
Excess (deficiency) of revenues over (under) expenditures	(1,351,676)	(1,163,273)	188,403
Other Financing Sources (Uses)			
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net change in fund balances	(1,351,676)	(1,163,273)	188,403
Fund balances (deficits) — July 1	1,504,262	1,504,262	-
Fund Balances (deficits) — June 30	\$ 152,586	340,989	188,403

Air Quality Improvement			
Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	
42,000	17,415	(24,585)	Revenues
-	-	-	Intergovernmental
1,800	2,509	709	Charges for services
43,800	19,924	(23,876)	Use of money and property
			Total Revenues
			Expenditures
			Current:
-	-	-	General government
12,500	-	12,500	Public works
-	-	-	Capital outlay
12,500	-	12,500	Total Expenditures
			Excess (deficiency) of revenues over (under) expenditures
31,300	19,924	(11,376)	
(25,000)	-	25,000	Other Financing Sources (Uses)
(25,000)	-	25,000	Transfers out
			Total Other Financing Sources (Uses)
6,300	19,924	13,624	Net change in fund balances
348,149	348,149	-	Fund balances (deficits) — July 1
354,449	368,073	13,624	Fund Balances (deficits) — June 30

continued

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual – Nonmajor Special Revenue Funds (continued)

For the Year Ended June 30, 2018

	Final Budgeted Amounts	Actual Amounts	Measure A Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 1,472,000	1,474,000	2,000
Charges for services	15,000	57,793	42,793
Use of money and property	3,500	2,373	(1,127)
Total Revenues	1,490,500	1,534,166	43,666
Expenditures			
Current:			
General government	117,760	117,920	(160)
Community development	210,000	219,825	(9,825)
Public safety	-	-	-
Public works	923,376	1,125,978	(202,602)
Capital outlay	287,433	85,609	201,824
Total Expenditures	1,538,569	1,549,332	(10,763)
Excess (deficiency) of revenues over (under) expenditures	(48,069)	(15,166)	32,903
Other Financing (Uses)			
Transfers in	12,500	-	(12,500)
Total Other Financing (Uses)	12,500	-	(12,500)
Net change in fund balances	(35,569)	(15,166)	20,403
Fund balances — July 1	446,496	446,496	-
Fund Balances — June 30	\$ 410,927	431,330	20,403

Asset Forfeiture			
Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	
-	-	-	Revenues
-	-	-	Intergovernmental
1,700	1,646	(54)	Charges for services
1,700	1,646	(54)	Use of money and property
			Total Revenues
			Expenditures
			Current:
-	-	-	General government
-	-	-	Community development
1,500	-	1,500	Public safety
-	-	-	Public works
-	-	-	Capital outlay
1,500	-	1,500	Total Expenditures
200	1,646	1,446	Excess (deficiency) of revenues over (under) expenditures
-	-	-	Other Financing (Uses)
-	-	-	Transfers in
			Total Other Financing (Uses)
200	1,646	1,446	Net change in fund balances
241,031	241,031	-	Fund balances — July 1
241,231	242,677	1,446	Fund Balances — June 30

continued

Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual – Nonmajor Special Revenue Funds (continued)

For the Year Ended June 30, 2018

	Final Budgeted Amounts	Actual Amounts	Solid Waste Variance with Final Budget - Positive - (Negative)
Revenues			
Intergovernmental	\$ 44,000	13,809	(30,191)
Charges for services	825,000	846,600	21,600
Use of money and property	1,800	5,352	3,552
Total Revenues	870,800	865,761	(5,039)
Expenditures			
Current:			
General government	80,641	78,483	2,158
Community development	709,903	506,234	203,669
Public safety	-	-	-
Total Expenditures	790,544	584,717	205,827
Excess (deficiency) of revenues over (under) expenditures	80,256	281,044	200,788
Net change in fund balances	80,256	281,044	200,788
Fund balances — July 1	757,984	757,984	-
Fund Balances — June 30	\$ 838,240	1,039,028	200,788

Police Grants			
Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	
167,480	206,068	38,588	Revenues
-	-	-	Intergovernmental
200	806	606	Charges for services
167,680	206,874	39,194	Use of money and property
			Total Revenues
			Expenditures
			Current:
-	-	-	General government
-	-	-	Community development
284,980	168,521	116,459	Public safety
284,980	168,521	116,459	Total Expenditures
(117,300)	38,353	155,653	Excess (deficiency) of revenues over (under) expenditures
(117,300)	38,353	155,653	Net change in fund balances
132,204	132,204	-	Fund balances — July 1
14,904	170,557	155,653	Fund Balances — June 30

continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances —
Budget and Actual – Nonmajor Special Revenue Funds (continued)**

For the Year Ended June 30, 2018

	Road Maintenance and Rehabilitation		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ -	313,511	313,511
Use of money and property	-	(115)	(115)
Other revenue	-	-	-
Total Revenues	<u>-</u>	<u>313,396</u>	<u>313,396</u>
Expenditures			
Current:			
Community development	-	-	-
Capital outlay	-	431	(431)
Total Expenditures	<u>-</u>	<u>431</u>	<u>(431)</u>
Excess (deficiency) of revenues over (under) expenditures	-	312,965	312,965
Other Financing Sources (Uses)			
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	312,965	312,965
Fund balances — July 1	-	-	-
Fund Balances — June 30	<u>\$ -</u>	<u>312,965</u>	<u>312,965</u>

Community Development Block Grant

Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	
117,010	172,633	55,623	Revenues
200	(2)	(202)	Intergovernmental
2,000	1,875	(125)	Use of money and property
119,210	174,506	55,296	Other revenue
			Total Revenues
			Expenditures
			Current:
106,890	162,513	(55,623)	Community development
10,120	10,120	-	Capital outlay
117,010	172,633	(55,623)	Total Expenditures
			Excess (deficiency) of revenues over (under) expenditures
2,200	1,873	(327)	
(44,632)	-	44,632	Other Financing Sources (Uses)
(44,632)	-	44,632	Transfers out
			Total Other Financing Sources (Uses)
(42,432)	1,873	44,305	Net change in fund balances
13,808	13,808	-	Fund balances — July 1
(28,624)	15,681	44,305	Fund Balances — June 30

continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances —
Budget and Actual – Nonmajor Special Revenue Funds (continued)**

For the Year Ended June 30, 2018

	Police Department Special Revenues		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ -	-	-
Use of money and property	1,400	1,495	95
Other revenue	25,000	61,716	36,716
Total Revenues	26,400	63,211	36,811
Expenditures			
Current:			
Public safety	50,000	132,904	(82,904)
Total Expenditures	50,000	132,904	(82,904)
Excess (deficiency) of revenues over (under) expenditures	(23,600)	(69,693)	(46,093)
Net change in fund balances	(23,600)	(69,693)	(46,093)
Fund balances — July 1	258,691	258,691	-
Fund Balances — June 30	\$ 235,091	188,998	(46,093)

Fire Department Special Revenues

Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
224,946	286,013	61,067
300	226	(74)
25,000	26,025	1,025
250,246	312,264	62,018
249,946	247,318	2,628
249,946	247,318	2,628
300	64,946	64,646
300	64,946	64,646
(34,786)	(34,786)	-
(34,486)	30,160	64,646

Revenues

Intergovernmental
Use of money and property
Other revenue

Total Revenues

Expenditures

Current:
Public safety

Total Expenditures

Excess (deficiency) of revenues
over (under) expenditures

Net change in fund balances
Fund balances — July 1

Fund Balances — June 30

continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances —
Budget and Actual – Nonmajor Special Revenue Funds (continued)**

For the Year Ended June 30, 2018

	Landscape and Lighting District		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Special assessments	\$ 473,162	467,890	(5,272)
Use of money and property	-	-	-
Total Revenues	473,162	467,890	(5,272)
Expenditures			
Current:			
General government	54,438	54,438	-
Public works	526,541	652,832	(126,291)
Total Expenditures	580,979	707,270	(126,291)
Excess of revenues over expenditures	(107,817)	(239,380)	(131,563)
Other Financing Sources (Uses)			
Transfers in	172,960	174,062	1,102
Total Other Financing Sources (Uses)	172,960	174,062	1,102
Net change in fund balances	65,143	(65,318)	(130,461)
Fund balances — July 1	164,137	164,137	-
Fund Balances — June 30	\$ 229,280	98,819	(130,461)

Final Budgeted Amounts	Actual Amounts	Special Deposits Variance with Final Budget - Positive (Negative)	
-	-	-	Revenues
4,000	4,942	942	Special assessments
4,000	4,942	942	Use of money and property
			Total Revenues
			Expenditures
-	-	-	Current:
-	-	-	General government
-	-	-	Public works
			Total Expenditures
4,000	4,942	942	Excess of revenues over expenditures
-	-	-	Other Financing Sources (Uses)
-	-	-	Transfers in
			Total Other Financing Sources (Uses)
4,000	4,942	942	Net change in fund balances
160,263	160,263	-	Fund balances — July 1
164,263	165,205	942	Fund Balances — June 30

**Schedule of Revenues, Expenditures, and Changes in Fund Balances —
Budget and Actual – Nonmajor Special Revenue Funds (continued)**

For the Year Ended June 30, 2018

	Big League Dreams		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Use of money and property	\$ 209,291	204,326	(4,965)
Total Revenues	209,291	204,326	(4,965)
Expenditures			
Current:			
Culture and recreation	6,500	1,850	4,650
Total Expenditures	6,500	1,850	4,650
Excess of revenues over expenditures	202,791	202,476	(315)
Other Financing Sources (Uses)			
Transfers out	(377,064)	(377,064)	-
Total Other Financing Sources (Uses)	(377,064)	(377,064)	-
Net change in fund balances	(174,273)	(174,588)	(315)
Fund balances — July 1	3,730,562	3,730,562	-
Fund Balances — June 30	\$ 3,556,289	3,555,974	(315)

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Combining Balance Sheet — Nonmajor Capital Projects Funds

June 30, 2018

	Police and Fire Facilities	Traffic Signalization	Assessment District 85-1	Assessment District 86-1
Assets				
Cash and investments	\$ 96,846	87,111	246,433	296,913
Receivables:				
Interest	430	387	1,093	1,317
Accounts	-	-	-	-
Restricted assets:				
Cash and investments held w ith fiscal agent	-	-	-	-
Total Assets	\$ 97,276	87,498	247,526	298,230
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Restricted	97,276	87,498	247,526	298,230
Total Fund Balances	97,276	87,498	247,526	298,230
Total Liabilities and Fund Balances	\$ 97,276	87,498	247,526	298,230

Assessment District 86-5	Assessment District 87-2	Assessment District 88-2	Assessment District 88-3	
530,200	12,730	-	221,856	Assets
				Cash and investments
2,351	56	-	985	Receivables:
-	-	-	35,104	Interest
				Accounts
				Restricted assets:
				Cash and investments held w ith fiscal agen
<u>532,551</u>	<u>12,786</u>	<u>-</u>	<u>257,945</u>	Total Assets
				Liabilities and Fund Balances
				Liabilities:
				Accounts payable
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Total Liabilities
				Fund Balances:
				Restricted
<u>532,551</u>	<u>12,786</u>	<u>-</u>	<u>257,945</u>	Total Fund Balances
<u>532,551</u>	<u>12,786</u>	<u>-</u>	<u>257,945</u>	Total Liabilities and Fund Balances

continued

Combining Balance Sheet — Nonmajor Capital Projects Funds (continued)

June 30, 2018

	Assessment District 96-1	Assessment District 2001-01	CFD Rio Vista	Assessment District 2003-01
Assets				
Cash and investments	\$ 564,019	65,861	120,196	842,214
Receivables:				
Interest	-	-	-	-
Accounts	-	-	-	-
Restricted assets:				
Cash and investments held w ith fiscal agent	-	78	129,359	-
Total Assets	\$ 564,019	65,939	249,555	842,214
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 76,552	-	-	-
Total Liabilities	76,552	-	-	-
Fund Balances:				
Restricted	487,467	65,939	249,555	842,214
Total Fund Balances	487,467	65,939	249,555	842,214
Total Liabilities and Fund Balances	\$ 564,019	65,939	249,555	842,214

Assessment District 2004-01	Assessment District 2004-02	Total	
207,753	475,850	3,767,982	Assets
-	-		Cash and investments
-	-	6,619	Receivables:
-	-	35,104	Interest
-	-		Accounts
-	-	129,437	Restricted assets:
<u>207,753</u>	<u>475,850</u>	<u>3,939,142</u>	Cash and investments held w ith fiscal agen
			Total Assets
			Liabilities and Fund Balances
-	-	76,552	Liabilities:
-	-	<u>76,552</u>	Accounts payable
			Total Liabilities
207,753	475,850	3,862,590	Fund Balances:
<u>207,753</u>	<u>475,850</u>	<u>3,862,590</u>	Restricted
			Total Fund Balances
<u>207,753</u>	<u>475,850</u>	<u>3,939,142</u>	Total Liabilities and Fund Balances

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Projects Funds**

For the Year Ended June 30, 2018

	Police and Fire Facilities	Traffic Signalization	Assessment District 85-1	Assessment District 86-1
Revenues				
Intergovernmental	\$ -	-	99,000	-
Special assessments	-	-	-	-
Development fees	55,500	27,750	-	-
Use of money and property	341	434	1,664	2,054
Contributions from property owners	-	-	-	-
Other revenue	-	-	-	3,372
Total Revenues	55,841	28,184	100,664	5,426
Expenditures				
Current:				
Community development	-	-	-	-
Capital outlay	-	-	498,984	4,957
Total Expenditures	-	-	498,984	4,957
Excess of revenues over expenditures	55,841	28,184	(398,320)	469
Net change in fund balances	55,841	28,184	(398,320)	469
Fund balances — July 1	41,435	59,314	645,846	297,761
Fund Balances — June 30	\$ 97,276	87,498	247,526	298,230

Assessment District 86-5	Assessment District 87-2	Assessment District 88-2	Assessment District 88-3	
-	-	-	-	Revenues
-	-	-	35,104	Intergovernmental
-	-	-	-	Special assessments
3,613	86	6	1,520	Development fees
-	-	-	-	Use of money and property
-	-	-	-	Contributions from property owners
-	-	-	-	Other revenue
3,613	86	6	36,624	Total Revenues
				Expenditures
				Current:
-	-	-	567	Community development
27,695	-	390,609	110,748	Capital outlay
27,695	-	390,609	111,315	Total Expenditures
(24,082)	86	(390,603)	(74,691)	Excess of revenues over expenditures
(24,082)	86	(390,603)	(74,691)	Net change in fund balances
556,633	12,700	390,603	332,636	Fund balances — July 1
532,551	12,786	-	257,945	Fund Balances — June 30

continued

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds (continued)

For the Year Ended June 30, 2018

	Assessment District 96-1	Assessment District 2001-01	CFD Rio Vista	Assessment District 2003-01
Revenues				
Intergovernmental	\$ -	-	-	-
Special assessments	-	-	-	-
Development fees	-	-	-	-
Use of money and property	-	333	2,390	-
Other revenue	-	-	-	-
Total Revenues	-	333	2,390	-
Expenditures				
Current:				
Community development	-	-	-	-
Capital outlay	625,986	157,585	-	271,477
Total Expenditures	625,986	157,585	-	271,477
Excess of revenues over expenditures	(625,986)	(157,252)	2,390	(271,477)
Net change in fund balances	(625,986)	(157,252)	2,390	(271,477)
Fund balances — July 1	1,113,453	223,191	247,165	1,113,691
Fund Balances — June 30	\$ 487,467	65,939	249,555	842,214

Assessment District 2004-01	Assessment District 2004-02	Total	
-	-	99,000	Revenues
-	-	35,104	Intergovernmental
-	-	83,250	Special assessments
-	-	12,441	Development fees
-	-	3,372	Use of money and property
-	-	233,167	Other revenue
-	-		Total Revenues
			Expenditures
			Current:
-	332,100	332,667	Community development
-	253,846	2,341,887	Capital outlay
-	585,946	2,674,554	Total Expenditures
-	(585,946)	(2,441,387)	Excess of revenues over expenditures
-	(585,946)	(2,441,387)	Net change in fund balances
207,753	1,061,796	6,303,977	Fund balances — July 1
207,753	475,850	3,862,590	Fund Balances — June 30

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PROPRIETARY FUNDS



City of Cathedral City, California



City of Cathedral City, California

PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for activities involved in rendering services to various City departments. Costs of materials and services used are accumulated in these funds and charged to the user departments as such goods are delivered or services rendered.

- 1. Equipment Replacement.** Accounts for costs of maintaining and providing for replacement of the City's vehicles and equipment. Financing is provided by usage charges to various funds and departments and/or operating transfers from other funds of the City.
- 2. Insurance.** Accounts for costs related to the City's insurance coverages, including employee and retiree benefits. Premium costs, self-insured claim losses, liability claims and other administrative costs are reported in this fund. Financing is provided by usage charges to various funds and departments and/or operating transfers from other funds of the City.
- 3. Technology.** Accounts for reserves set aside for the future acquisition and replacement of technology software used throughout the City. Financing is provided by usage charges to various funds and departments and/or operating transfers from other funds of the City.
- 4. Facilities.** Accounts for reserves set aside for the future replacement of major building components. Financing is provided by usage charges to various funds and departments and/or operating transfers from other funds of the City.

Combining Statement of Net Position — Internal Service Funds

June 30, 2018

	Equipment Replacement	Insurance	Technology
Assets			
Current assets:			
Cash and investments	\$ 3,168,501	11,811,202	549,797
Receivables:			
Interest	14,056	51,952	2,437
Accounts	220	107,031	-
Deposits with PERMA	-	2,336,860	-
Prepaid assets	113,149	1,427	-
Inventories	30,867	-	-
Total Current Assets	3,326,793	14,308,472	552,234
Noncurrent assets:			
Capital assets:			
Vehicles and equipment	8,590,598	-	-
Construction in progress	-	-	343,400
Accumulated depreciation	(6,194,154)	-	-
Net capital assets	2,396,444	-	343,400
Total Noncurrent Assets	2,396,444	-	343,400
Total Assets	5,723,237	14,308,472	895,634
Liabilities			
Current liabilities:			
Accounts payable	58,323	78,881	12,311
Claims payable	-	1,000,000	-
Unearned revenue	-	6,951	-
Total Current Liabilities	58,323	1,085,832	12,311
Noncurrent liabilities:			
Claims payable	-	4,012,523	-
Total Noncurrent Liabilities	-	4,012,523	-
Total Liabilities	58,323	5,098,355	12,311
Net Position			
Investment in capital assets	2,396,444	-	343,400
Unrestricted	3,268,470	9,210,117	539,923
Total Net Position	\$ 5,664,914	9,210,117	883,323

Facilities	Total	
1,413,083	16,942,583	Assets
6,269	74,714	Current assets:
3,055	110,306	Cash and investments
-	2,336,860	Receivables:
-	114,576	Interest
-	30,867	Accounts
1,422,407	19,609,906	Deposits with PERMA
		Prepaid assets
		Inventories
		Total Current Assets
		Noncurrent assets:
-	8,590,598	Capital assets:
-	343,400	Vehicles and equipment
-	(6,194,154)	Construction in progress
-	2,739,844	Accumulated depreciation
-	2,739,844	Net capital assets
1,422,407	22,349,750	Total Noncurrent Assets
		Total Assets
		Liabilities
-	149,515	Current liabilities:
-	1,000,000	Accounts payable
-	6,951	Claims payable
-	1,156,466	Unearned revenue
		Total Current Liabilities
-	4,012,523	Noncurrent liabilities:
-	4,012,523	Claims payable
-	5,168,989	Total Noncurrent Liabilities
		Total Liabilities
-	2,739,844	Net Position
1,422,407	14,440,917	Investment in capital assets
1,422,407	17,180,761	Unrestricted
		Total Net Position

Combining Statement of Revenues, Expenses, and Changes in Net Position — Internal Service Funds

For the Year Ended June 30, 2018

	Equipment Replacement	Insurance	Technology
Operating Revenues			
Charges for services	\$ 839,865	10,544,622	28,059
Other revenue	18,257	218,715	-
Total Operating Revenues	858,122	10,763,337	28,059
Operating Expenses			
Insurance claims and expenses	-	9,440,629	-
Minor equipment	24,248	-	-
Depreciation	518,162	-	-
Total Operating Expenses	542,410	9,440,629	-
Operating income (loss)	315,712	1,322,708	28,059
Nonoperating Revenues			
Interest and investment income	21,067	52,946	5,121
Total Nonoperating Revenues	21,067	52,946	5,121
Income before transfers	336,779	1,375,654	33,180
Transfers in	121,007	-	-
Change in net position	457,786	1,375,654	33,180
Net position — July 1	5,207,128	7,834,463	850,143
Net Position — June 30	\$ 5,664,914	9,210,117	883,323

Facilities	Total	
-	11,412,546	Operating Revenues
34,060	271,032	Charges for services
34,060	11,683,578	Other revenue
		Total Operating Revenues
-	9,440,629	Operating Expenses
-	24,248	Insurance claims and expenses
-	518,162	Minor equipment
-	9,983,039	Depreciation
		Total Operating Expenses
34,060	1,700,539	Operating income (loss)
9,518	88,652	Nonoperating Revenues
9,518	88,652	Interest and investment income
		Total Nonoperating Revenues
43,578	1,789,191	Income before transfers
-	121,007	Transfers in
43,578	1,910,198	Change in net position
1,378,829	15,270,563	Net position — July 1
1,422,407	17,180,761	Net Position — June 30

Combining Statement of Cash Flows — Internal Service Funds

For the Year Ended June 30, 2018

	Equipment Replacement	Insurance	Technology
Cash Flows From Operating Activities			
Receipts from customers and user departments	\$ 864,140	10,503,088	28,059
Payments to suppliers for goods and services	(97,212)	(7,710,726)	12,311
Net Cash Provided by Operating Activities	766,928	2,792,362	40,370
Cash Flows From Noncapital Financing Activities			
Transfers in	121,007	-	-
Net Cash Provided by Noncapital Financing Activities	121,007	-	-
Cash Flows From Capital and Related Financing Activities			
Capital asset acquisitions	(782,819)	-	(343,400)
Net Cash (Used) by Capital and Related Financing Activities	(782,819)	-	(343,400)
Cash Flows From Investing Activities			
Interest received	15,227	25,231	4,969
Net Cash Provided by Investing Activities	15,227	25,231	4,969
Net increase in cash and cash equivalents	120,343	2,817,593	(298,061)
Cash and cash equivalents — July 1	3,048,158	8,993,609	847,858
Cash and Cash Equivalents — June 30	\$ 3,168,501	11,811,202	549,797
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 315,712	1,322,708	28,059
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	518,162	-	-
Accounts receivable	6,018	(12,384)	-
Deposits with PERMA	-	(251,400)	-
Prepaid assets	(113,149)	(28)	-
Inventories	(14,186)	-	-
Accounts payable	54,371	74,181	12,311
Unearned revenue	-	3,535	-
Claims payable	-	1,655,750	-
Net Cash Provided by Operating Activities	\$ 766,928	2,792,362	40,370

Facilities	Total	
		Cash Flows From Operating Activities
38,713	11,434,000	Receipts from customers and user departments
(4,400)	(7,800,027)	Payments to suppliers for goods and services
34,313	3,633,973	Net Cash Provided by Operating Activities
		Cash Flows From Noncapital Financing Activities
-	121,007	Transfers in
-	121,007	Net Cash Provided by Noncapital Financing Activities
		Cash Flows From Capital and Related Financing Activities
-	(1,126,219)	Capital asset acquisitions
-	(1,126,219)	Net Cash (Used) by Capital and Related Financing Activities
		Cash Flows From Investing Activities
6,946	52,373	Interest received
6,946	52,373	Net Cash Provided by Investing Activities
41,259	2,681,134	Net increase in cash and cash equivalents
1,371,824	14,261,449	Cash and cash equivalents — July 1
1,413,083	16,942,583	Cash and Cash Equivalents — June 30
		Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities
34,060	1,700,539	Operating income (loss)
		Adjustments to reconcile operating income (loss) to net cash provided by operating activities:
-	518,162	Depreciation
4,653	(1,713)	Accounts receivable
-	(251,400)	Deposits with PERMA
-	(113,177)	Prepaid assets
-	(14,186)	Inventories
(4,400)	136,463	Accounts payable
-	3,535	Unearned revenue
-	1,655,750	Claims payable
34,313	3,633,973	Net Cash Provided by Operating Activities

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FIDUCIARY FUNDS



City of Cathedral City, California



City of Cathedral City, California

FIDUCIARY FUNDS

Fiduciary funds are trust and agency funds that account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These include pension and other employee benefit trust funds, external investment trust funds, private-purpose trust funds, and agency funds. The City does not maintain any pension and other employee benefit trust funds or external investment trust funds.

PRIVATE-PURPOSE TRUST FUNDS

Private-purpose trust funds report all other trust arrangements under which the principal and income benefits individuals, private organizations or other governments. The City's private-purpose trust funds account for the assets, liabilities, and activities of the Successor Agency to the City's former redevelopment agency.

- 1. Redevelopment Obligation Retirement.** Accounts for property taxes received to pay enforceable obligations and administrative overhead costs approved on the Recognized Obligation Payment Schedule (ROPS).
- 2. Successor Agency 2014 Series A/B/C TABs.** Accounts for principal and interest payments on long-term debt of the Successor Agency.
- 3. Successor Agency Administration.** Accounts for administrative overhead costs subject to the percentage limitation established by AB 1X 26 in winding down the affairs of the former redevelopment agency.
- 4. Successor Agency Other.** Accounts for other costs related to the payment of enforceable obligations of the former redevelopment agency.
- 5. Successor Agency 2007 Series A TAB.** Accounts for ROPS-approved uses of 2007 Tax Allocation Bonds, Series A proceeds of the former redevelopment agency.
- 6. Successor Agency 2007 Series B TAB.** Accounts for ROPS-approved uses of 2007 Tax Allocation Bonds, Series B proceeds of the former redevelopment agency.
- 7. Successor Agency 2007 Series C TAB.** Accounts for ROPS-approved uses of 2007 Tax Allocation Bonds, Series C proceeds of the former redevelopment agency.

AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, principal organizations, other governments, and/or funds.

1. **Assessment District 96-1.** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Refunding Bonds (2004).
2. **Assessment District 2001-01.** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds.
3. **Rio Vista Community Facilities District.** Accounts for special assessments receipts and principal and interest payments on the Special Tax Bonds related to the Rio Vista Community Facilities District (CFD 2000-1).
4. **Assessment District 2003-01.** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds (35th Avenue).
5. **Assessment District 2004-01.** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds (Dream Homes).
6. **Assessment District 2004-02.** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds (Cove Improvement).

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Combining Statement of Fiduciary Net Position — Private-Purpose Trust Funds – Successor Agency Trust Funds

June 30, 2018

	Redevelopment Obligation Retirement	Successor Agency 2014 Series A/B/C TABs	Successor Agency Administration	Successor Agency Other
Assets				
Cash and investments	\$ 10,726,422	-	399	498
Receivables:				
Interest	47,166	-	-	-
Prepaid assets	-	594,321	-	-
Restricted assets:				
Held w ith Successor Agency	-	-	-	-
Cash and investments held w ith fiscal agent	-	514	-	-
Total Assets	<u>10,773,588</u>	<u>594,835</u>	<u>399</u>	<u>498</u>
Liabilities				
Accounts payable	-	-	399	498
Accrued interest	-	1,292,071	-	-
Noncurrent liabilities:				
Due in one year	-	3,300,000	-	-
Due in more than one year	-	66,897,561	-	14,731,840
Total Liabilities	<u>-</u>	<u>71,489,632</u>	<u>399</u>	<u>14,732,338</u>
Net Position				
Held in trust for other purposes	10,773,588	(70,894,797)	-	(14,731,840)
Total Net Position	<u>\$ 10,773,588</u>	<u>(70,894,797)</u>	<u>-</u>	<u>(14,731,840)</u>

Successor Agency 2007 Series A TAB	Successor Agency 2007 Series C TAB	Total	
193,532	\$ 503,277	11,424,128	Assets
3,672	4,980	55,818	Cash and investments
-	-	594,321	Receivables:
594,584	583,063	1,177,647	Interest
-	-	514	Prepaid assets
<u>791,788</u>	<u>1,091,320</u>	<u>13,252,428</u>	Restricted assets:
			Held w ith Successor Agency
			Cash and investments held w ith fiscal agen
			Total Assets
			Liabilities
-	-	897	Accounts payable
-	-	1,292,071	Accrued interest
-	-	3,300,000	Noncurrent liabilities:
-	-	81,629,401	Due in one year
<u>-</u>	<u>-</u>	<u>86,222,369</u>	Due in more than one year
			Total Liabilities
			Net Position
791,788	1,091,320	(72,969,941)	Held in trust for other purposes
<u>791,788</u>	<u>1,091,320</u>	<u>(72,969,941)</u>	Total Net Position

Combining Statement of Changes in Fiduciary Net Position — Private-Purpose Trust Funds – Successor Agency Trust Funds

For the Year Ended June 30, 2018

	Redevelopment Obligation Retirement	Successor Agency 2014 Series A/B/C TABs	Successor Agency Administration	Successor Agency Other
Additions				
Taxes	\$ 14,501,377	-	-	-
Use of money and property	90,597	1,255	755	-
Total Additions	14,591,974	1,255	755	-
Deductions				
Administrative expenses	-	37,369	160,264	-
Contractual services	21,743	-	-	-
Interest expense	-	2,702,797	-	866,636
Contributions to other governments	8,064,352	-	285,424	-
Total Deductions	8,086,095	2,740,166	445,688	866,636
Transfers In (Out)				
Transfers in	765	6,338,439	445,689	966
Transfers out	(6,785,094)	-	(765)	-
Total Transfers In (Out)	(6,784,329)	6,338,439	444,924	966
Change in net position	(278,450)	3,599,528	(9)	(865,670)
Net position — July 1	11,052,038	(74,494,325)	9	(13,866,170)
Net Position — June 30	\$ 10,773,588	(70,894,797)	-	(14,731,840)

Successor Agency 2007 Series A TAB	Successor Agency 2007 Series C TAB	Total	
-	-		Additions
11,466	16,378	14,501,377	Taxes
11,466	16,378	120,451	Use of money and property
		14,621,828	Total Additions
			Deductions
-	-	197,633	Administrative expenses
87,955	163,354	273,052	Contractual services
-	-	3,569,433	Interest expense
247,791	-	8,597,567	Contributions to other governments
335,746	163,354	12,637,685	Total Deductions
			Transfers In (Out)
-	-	6,785,859	Transfers in
-	-	(6,785,859)	Transfers out
-	-	-	Total Transfers In (Out)
(324,280)	(146,976)	1,984,143	Change in net position
1,116,068	1,238,296	(74,954,084)	Net position — July 1
791,788	1,091,320	(72,969,941)	Net Position — June 30

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Combining Statement of Changes in Assets and Liabilities — Agency Funds

For the Year Ended June 30, 2018

	Balance July 1	Additions	Deductions	Balance June 30
Assessment District 96-1				
Assets				
Cash and investments	\$ 783,958	439,333	426,700	796,591
Receivables:				
Interest	5,113	7,861	6,939	6,035
Special assessments	5,975	12,667	5,975	12,667
Restricted cash and investments:				
Held with fiscal agent	-	376,637	376,637	-
Total Assets	\$ 795,046	836,498	816,251	815,293
Liabilities				
Accounts payable	\$ -	392,203	392,203	-
Due to bondholders	795,046	445,845	425,598	815,293
Total Liabilities	\$ 795,046	838,048	817,801	815,293
Assessment District 2001-01				
Assets				
Cash and investments	\$ 321,518	275,346	268,058	328,806
Receivables:				
Interest	1,198	2,178	1,626	1,750
Special assessments	11,766	2,957	11,766	2,957
Restricted cash and investments:				
Held with fiscal agent	11	254,182	254,172	21
Total Assets	\$ 334,493	534,663	535,622	333,534
Liabilities				
Accounts payable	\$ -	258,679	258,679	-
Due to bondholders	334,493	266,972	267,931	333,534
Total Liabilities	\$ 334,493	525,651	526,610	333,534
Rio Vista Community Facilities District				
Assets				
Cash and investments	\$ 192,362	794,166	865,256	121,272
Receivables:				
Interest	842	1,372	1,143	1,071
Special assessments	367,915	79,767	188,094	259,588
Restricted cash and investments:				
Held with fiscal agent	655,008	817,752	1,035,635	437,125
Total Assets	\$ 1,216,127	1,693,057	2,090,128	819,056
Liabilities				
Accounts payable	\$ 49	857,701	856,032	1,718
Due to bondholders	1,216,078	686,902	1,085,642	817,338
Total Liabilities	\$ 1,216,127	1,544,603	1,941,674	819,056

continued

Combining Statement of Changes in Assets and Liabilities — Agency Funds (continued)

For the Year Ended June 30, 2018

	Balance July 1	Additions	Deductions	Balance June 30
Assessment District 2003-01				
Assets				
Cash and investments	\$ 578,227	1,263,465	1,223,070	618,622
Receivables:				
Interest	2,533	7,385	3,437	6,481
Special assessments	19,178	11,155	19,178	11,155
Restricted cash and investments:				
Held with fiscal agent	-	1,196,085	1,196,085	-
Total Assets	\$ 599,938	2,478,090	2,441,770	636,258
Liabilities				
Accounts payable	\$ -	450,436	450,436	-
Due to bondholders	599,938	506,716	470,396	636,258
Total Liabilities	\$ 599,938	957,152	920,832	636,258
Assessment District 2004-01				
Assets				
Cash and investments	\$ 565,603	455,360	431,947	589,016
Receivables:				
Interest	2,084	4,279	2,828	3,535
Special assessments	46,881	45,887	46,881	45,887
Restricted cash and investments:				
Held with fiscal agent	-	403,090	403,090	-
Total Assets	\$ 614,568	908,616	884,746	638,438
Liabilities				
Accounts payable	\$ -	414,414	414,414	-
Due to bondholders	614,568	455,472	431,602	638,438
Total Liabilities	\$ 614,568	869,886	846,016	638,438
Assessment District 2004-02				
Assets				
Cash and investments	\$ 3,420,134	2,568,346	3,966,762	2,021,718
Receivables:				
Interest	12,079	15,390	16,389	11,080
Special assessments	90,587	49,591	90,587	49,591
Restricted cash and investments:				
Held with fiscal agent	-	3,894,514	3,894,514	-
Total Assets	\$ 3,522,800	6,527,841	7,968,252	2,082,389
Liabilities				
Accounts payable	\$ -	3,914,965	3,914,965	-
Due to bondholders	3,522,800	2,499,795	3,940,206	2,082,389
Total Liabilities	\$ 3,522,800	6,414,760	7,855,171	2,082,389

continued

Combining Statement of Changes in Assets and Liabilities — Agency Funds (continued)

For the Year Ended June 30, 2018

	Balance July 1	Additions	Deductions	Balance June 30
Total — All Agency Funds				
Assets				
Cash and investments	\$ 5,861,802	5,796,016	7,181,793	4,476,025
Receivables:				
Interest	23,849	38,465	32,362	29,952
Special assessments	542,302	202,024	362,481	381,845
Restricted cash and investments:				
Held with fiscal agent	655,019	6,942,260	7,160,133	437,146
Total Assets	\$ 7,082,972	12,978,765	14,736,769	5,324,968
Liabilities				
Accounts payable	\$ 49	6,288,398	6,286,729	1,718
Due to bondholders	7,082,923	4,861,702	6,621,375	5,323,250
Total Liabilities	\$ 7,082,972	11,150,100	12,908,104	5,324,968

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STATISTICAL



City of Cathedral City, California



City of Cathedral City, California

CONTENTS

This part of the City of Cathedral City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

160 FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

172 REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local revenue source — sales tax.

184 DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

194 DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

200 OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Net Position by Component

Last Ten Fiscal Years (dollar in thousands – accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities:					
Net investment in capital assets	\$ 24,533	38,381	25,065	97,876	95,005
Restricted	145,226	118,320	128,802	65,952	51,116
Unrestricted	(35,330)	(40,627)	(51,202)	(158,167)	(153,315)
Total governmental activities net position	\$ 134,429	116,074	102,665	5,661	(7,194)
Business-type activities (Note 8):					
Net investment in capital assets	\$ 21	20	-	-	-
Unrestricted	16	225	-	-	-
Total business-type activities net position	\$ 37	245	-	-	-
Primary government:					
Net investment in capital assets	\$ 24,554	38,401	25,065	97,876	95,005
Restricted	145,226	118,320	128,802	65,952	51,116
Unrestricted	(35,314)	(40,402)	(51,202)	(158,167)	(153,315)
Total primary government net position	\$ 134,466	116,319	102,665	5,661	(7,194)
	Note 1	Note 2	Note 3	Note 4	Note 5

Notes to Schedule:

- Note 1:** Restated balances - includes prior period adjustment of \$300.
- Note 2:** Restated balances - includes prior period adjustment of (\$163).
- Note 3:** Restated balances - includes prior period adjustment of (\$298).
- Note 4:** Restated balances - includes prior period adjustment of (\$4,986).
- Note 5:** Restated balances - includes prior period adjustment of (\$14).
- Note 6:** Restated balances - includes prior period adjustment of (\$682).
- Note 7:** Restated balances - includes prior period adjustment of (\$32,564).

Source: City of Cathedral City, Government-Wide Financial Statements

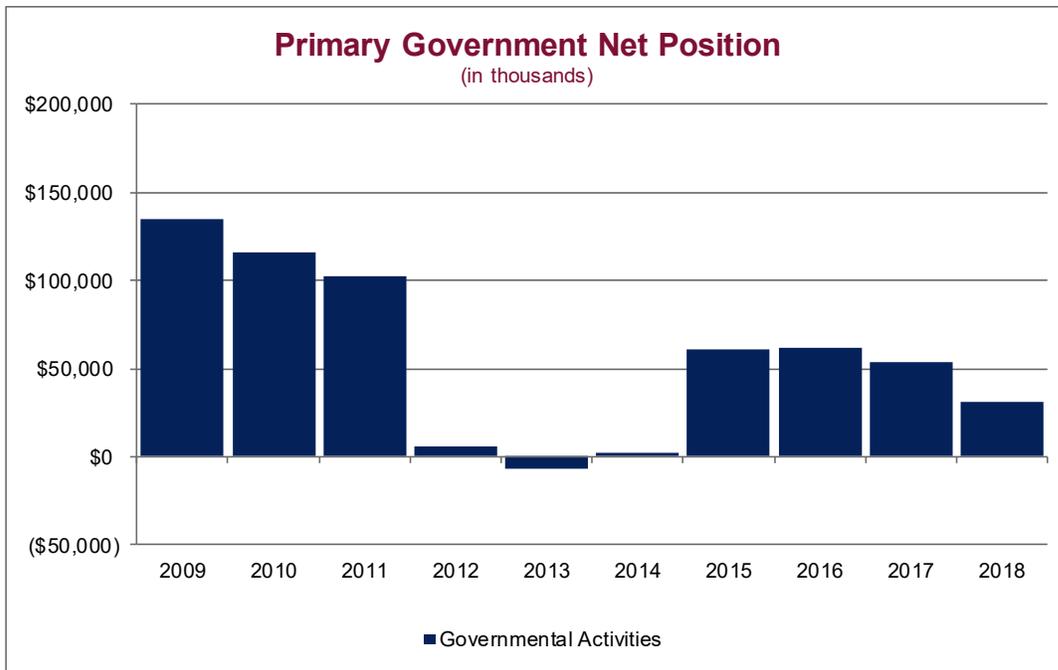
Fiscal Year				
2014	2015	2016	2017	2018
95,321	150,220	153,866	148,362	158,755
58,199	58,485	92,298	86,986	81,379
(150,840)	(147,400)	(184,264)	(181,885)	(209,365)
2,680	61,305	61,900	53,463	30,769
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
95,321	150,220	153,866	148,362	158,755
58,199	58,485	92,298	86,986	81,379
(150,840)	(147,400)	(184,264)	(181,885)	(209,365)
2,680	61,305	61,900	53,463	30,769

Note 6
Note 7

Governmental activities:
 Net investment in capital assets
 Restricted
 Unrestricted
Total governmental activities net position

Business-type activities (Note 8):
 Net investment in capital assets
 Unrestricted
Total business-type activities net position

Primary government:
 Net investment in capital assets
 Restricted
 Unrestricted
Total primary government net position



Changes in Net Position

Last Ten Fiscal Years (dollar in thousands – accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 10,030	19,033	11,572	8,787	8,827
Community development	25,819	27,220	14,271	17,173	9,474
Culture and recreation	58	675	595	550	562
Public safety	25,160	25,879	26,980	28,343	23,110
Public works	6,608	6,645	6,609	7,691	7,581
Interest on long-term debt	12,190	12,080	11,745	11,319	10,755
Total governmental activities	79,865	91,532	71,772	73,863	60,309
Business-type activities (Note 1):					
Education	1,208	1,506	990	-	-
Total business-type activities expenses	1,208	1,506	990	-	-
Total Primary Government Expenses	\$ 81,073	93,038	72,762	73,863	60,309
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,311	3,062	2,126	2,514	2,289
Community development	752	892	412	316	63
Culture and recreation	-	2	2	2	-
Public safety	2,622	5,472	5,515	5,852	6,781
Public works	310	277	735	716	726
Operating grants and contributions	3,421	2,744	3,393	14,833	8,110
Capital grants and contributions	2,379	15,707	3,772	7,838	4,329
Total governmental activities program revenue:	12,795	28,156	15,955	32,071	22,298
Business-type activities (Note 1):					
Charges for services:					
Education	937	1,439	569	-	-
Operating grants and contributions	250	275	799	-	-
Total business-type activities program revenue	1,187	1,714	1,368	-	-
Total Primary Government Program Revenues	\$ 13,982	29,870	17,323	32,071	22,298
Net (Expense)/Revenue					
Governmental activities	\$ (67,070)	(63,376)	(55,817)	(41,792)	(38,011)
Business-type activities	(21)	208	378	-	-
Total Primary Government Net Expense	\$ (67,091)	(63,168)	(55,439)	(41,792)	(38,011)

Fiscal Year					
2014	2015	2016	2017	2018	
					Expenses
					Governmental activities:
11,340	10,543	10,550	12,378	12,685	General government
5,906	4,741	7,455	12,929	5,864	Community development
524	695	1,134	979	729	Culture and recreation
24,083	23,005	22,324	26,663	28,948	Public safety
7,804	7,704	7,874	8,971	12,860	Public works
10,497	7,560	7,052	7,090	6,852	Interest on long-term debt
60,154	54,248	56,389	69,010	67,938	Total governmental activities
					Business-type activities (Note 1):
-	-	-	-	-	Education
-	-	-	-	-	Total business-type activities expenses
60,154	54,248	56,389	69,010	67,938	Total Primary Government Expenses
					Program Revenues
					Governmental activities:
					Charges for services:
2,273	3,541	2,888	3,512	5,781	General government
590	459	702	714	1,166	Community development
-	-	-	-	-	Culture and recreation
8,479	3,843	3,471	3,665	4,055	Public safety
759	761	798	843	906	Public works
18,598	18,051	15,066	11,636	14,023	Operating grants and contributions
10,052	4,767	624	2,998	14,097	Capital grants and contributions
40,751	31,422	23,549	23,368	40,028	Total governmental activities program revenues
					Business-type activities (Note 1):
					Charges for services:
-	-	-	-	-	Education
-	-	-	-	-	Operating grants and contributions
-	-	-	-	-	Total business-type activities program revenues
40,751	31,422	23,549	23,368	40,028	Total Primary Government Program Revenues
					Net (Expense)/Revenue
(19,403)	(22,826)	(32,840)	(45,642)	(27,910)	Governmental activities
-	-	-	-	-	Business-type activities
(19,403)	(22,826)	(32,840)	(45,642)	(27,910)	Total Primary Government Net Expense

continued

Changes in Net Position (continued)

Last Ten Fiscal Years (dollar in thousands – accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Cannibis/marijuana tax	\$ -	-	-	-	-
Franchise tax	1,995	1,855	1,851	1,866	1,882
Property tax	33,049	29,078	21,980	13,263	5,450
Sales tax (Note 2)	6,165	6,222	6,572	6,895	7,823
Transactions and use tax	-	-	2,941	4,337	4,725
Transient occupancy tax/timeshare developer	1,633	1,504	1,463	1,657	1,644
Utility users tax	635	2,861	2,766	2,753	2,802
Investment and interest income	4,934	2,888	2,157	2,394	2,620
Insurance proceeds	683	-	-	-	-
Other revenues	2,255	776	2,353	837	791
Extraordinary items	-	-	-	(84,228)	(2,567)
Special items	-	-	-	-	-
Total governmental activities	51,349	45,184	42,083	(50,226)	25,170
Business-type activities (Note 1):					
Other revenues	-	-	-	-	-
Transfers	-	-	34,709	-	-
Total business-type activities	-	-	34,709	-	-
Total Primary Government	\$ 51,349	45,184	76,792	(50,226)	25,170
Changes in Net Position					
Governmental activities	(12,027)	(18,192)	(13,734)	(92,018)	(12,841)
Business-type activities	208	208	35,087	-	-
Total Primary Government	\$ (11,819)	(17,984)	21,353	(92,018)	(12,841)

Notes to Schedule:

Note 1: In 2008, the Cathedral City Downtown Foundation was considered a blended component unit and reported as a business-type activity. In 2012, the Cathedral City Downtown Foundation was determined to no longer meet the definition of a component unit. Amounts for the fiscal year ended June 30, 2011 were restated to reflect this change.

Note 2: Sales tax includes supplemental amounts from the Sales Tax Compensation Fund beginning with the fiscal year ended June 30, 2005. The supplemental amounts are the results of the state's "triple flip", whereby local governments swapped part of their sales tax (0.25%) for a like amount of property tax. The triple flip ended in fiscal year 2014/15, with final payments being received in fiscal year 2015/16.

Source: City of Cathedral City, Government-Wide Financial Statements

Fiscal Year					
2014	2015	2016	2017	2018	
					General Revenues and Other Changes in Net Position
					Governmental activities:
					Taxes:
-	-	47	450	1,894	Cannabis/marijuana tax
1,980	1,995	2,021	2,146	2,114	Franchise tax
5,398	6,306	7,429	7,869	8,626	Property tax
8,929	9,490	9,695	8,821	9,155	Sales tax (Note 2)
4,912	5,327	5,821	5,658	6,105	Transactions and use tax
1,883	2,000	2,328	3,070	3,726	Transient occupancy tax/timeshare developer
2,763	2,803	2,754	2,717	2,699	Utility users tax
2,953	2,867	4,296	5,117	2,713	Investment and interest income
-	-	-	-	-	Insurance proceeds
460	456	318	1,357	747	Other revenues
-	-	-	-	-	Extraordinary items
-	82,563	(1,274)	-	-	Special items
29,278	113,807	33,435	37,205	37,779	Total governmental activities
					Business-type activities (Note 1):
-	-	-	-	-	Other revenues
-	-	-	-	-	Transfers
-	-	-	-	-	Total business-type activities
29,278	113,807	33,435	37,205	37,779	Total Primary Government
					Changes in Net Position
9,875	90,981	595	(8,437)	9,869	Governmental activities
-	-	-	-	-	Business-type activities
9,875	90,981	595	(8,437)	9,869	Total Primary Government

Fund Balances of Governmental Funds

Last Ten Fiscal Years (dollar in thousands – modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund (Note 2):					
Reserved	\$ 4,463	4,210			
Unreserved	14,383	12,377			
Nonspendable			3,746	3,603	3,558
Restricted			50	50	50
Committed			-	-	-
Assigned			3,171	771	4,120
Unassigned			6,825	7,337	6,728
Total General Fund	<u><u>18,846</u></u>	<u><u>16,587</u></u>	<u><u>13,792</u></u>	<u><u>11,761</u></u>	<u><u>14,456</u></u>
	Note 5				Note 5
All other governmental funds (Notes 2, 3):					
Reserved	\$ 95,782	99,386			
Unreserved:					
Special revenue funds	5,699	5,461			
Capital projects funds	96,817	64,116			
Debt service funds	-	-			
Nonspendable (Note 4)			72,780	25,621	19,322
Restricted (Note 4)			89,579	38,736	28,914
Committed			-	-	-
Assigned			-	-	-
Unassigned			(455)	(434)	-
Total all other governmental funds	<u><u>198,298</u></u>	<u><u>168,963</u></u>	<u><u>161,904</u></u>	<u><u>63,923</u></u>	<u><u>48,236</u></u>
			Note 5		Note 5

Notes to Schedule:

Note 1: Amounts include General, Special Revenue, Debt Service and Capital Projects funds.

Note 2: The City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) for the fiscal year ended June 30, 2011. Information prior to the implementation of GASB 54 is unavailable.

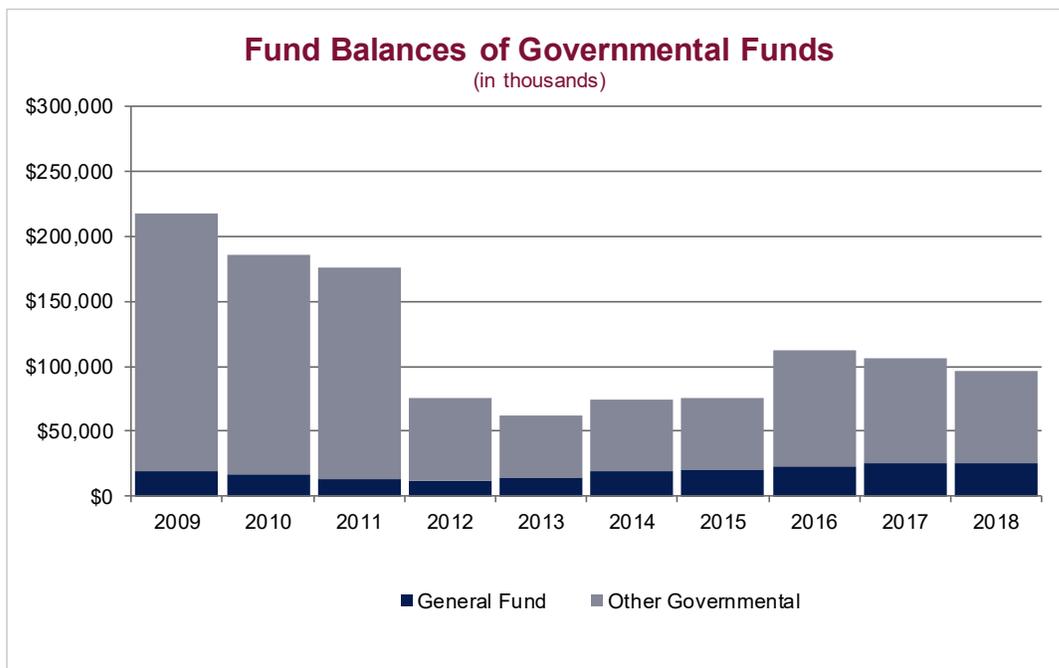
Note 3: Total all other governmental fund balances decreased as of June 30, 2012, as a result of the City's redevelopment agency being dissolved in accordance with AB 1X-26. The dissolution became effective February 1, 2012. All assets of the former redevelopment agency (special revenue, capital projects and debt service funds) were recorded in private-purpose trust funds for payment of outstanding obligations.

Note 4: The significant changes that occurred between 2013 and 2014 in the nonspendable and restricted fund balance categories were the result of classifying loans receivable and assets held for disposition as restricted in 2014. This change was based on further analysis of GASB Statement No. 54.

Note 5: Restated balances - includes prior period adjustments.

Source: City of Cathedral City, Fund Financial Statements

Fiscal Year					
2014	2015	2016	2017	2018	
					General Fund (Note 2):
					Reserved
					Unreserved
28	13	48	10	16	Nonspendable
3,710	3,353	3,177	2,994	2,798	Restricted
-	-	-	-	-	Committed
4,644	680	830	4,341	2,830	Assigned
10,605	16,626	19,186	17,656	20,076	Unassigned
18,987	20,672	23,241	25,001	25,720	Total General Fund
					All other governmental funds (Notes 2, 3):
					Reserved
					Unreserved:
					Special revenue funds
					Capital projects funds
					Debt service funds
-	-	1	1	2	Nonspendable (Note 4)
54,567	54,259	88,754	81,465	70,548	Restricted (Note 4)
-	-	-	-	-	Committed
658	172	247	297	-	Assigned
-	-	-	(79)	-	Unassigned
55,225	54,431	89,002	81,684	70,550	Total all other governmental funds



Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (dollar in thousands – modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Taxes	\$ 43,477	40,636	42,128	33,231	23,816
Intergovernmental	5,979	7,264	10,004	6,362	6,602
Licenses and permits	876	954	764	855	857
Fines and forfeitures	875	1,163	881	734	624
Charges for services	4,446	4,389	3,513	3,901	4,351
Special assessments	386	2,710	3,182	3,562	4,028
Development fees	1,510	68	98	58	156
Use of money and property	4,966	2,826	1,731	1,352	1,029
Contributions from City	-	-	-	-	-
Contributions from property owners	-	7,648	313	1,620	-
Contributions from other entities	-	-	-	-	-
Contributions from other governments	-	-	-	11,240	6,839
Other revenue	757	554	2,352	946	668
Total Revenues	63,272	68,212	64,966	63,861	48,970
Expenditures					
General government	6,697	16,399	8,254	6,478	7,329
Community development	16,475	22,090	13,111	16,159	13,215
Culture and recreation	217	311	271	444	426
Public safety	22,804	23,626	23,155	25,019	20,814
Public works	3,167	3,067	2,800	2,964	2,464
Capital outlay	18,252	14,357	5,056	1,782	1,211
Payments under pass-through agreements	6,107	4,803	4,494	2,089	-
Principal retirement	6,449	5,828	6,618	6,206	5,785
Interest	11,556	11,402	11,185	10,866	10,598
Debt issuance costs	-	-	-	-	-
Other debt-related costs	38	41	39	31	-
Total Expenditures	91,762	101,924	74,983	72,038	61,842
Excess (deficiency) of revenues over (under) expenditures	(28,490)	(33,712)	(10,017)	(8,177)	(12,872)
Other Financing Sources (Uses)					
Issuance of debt	-	2,015	-	-	-
Issuance of refunding debt	-	-	-	-	-
Proceeds from sale of capital assets	257	69	396	-	-
Gain (loss) on sale of assets held for disposition	-	200	15	-	-
Transfers in	34,382	42,710	52,888	52,940	2,641
Transfers out	(34,737)	(42,775)	(53,462)	(53,056)	(2,714)
Total Other Financing Sources (Uses)	(98)	2,219	(163)	(116)	(73)
Extraordinary items	-	-	-	(91,719)	-
Special items	-	-	-	-	-
Net Change in Fund Balances	\$ (28,588)	(31,493)	(10,180)	(100,012)	(12,945)
Debt service as a % of noncapital expenditures	23.7%	19.7%	25.1%	24.2%	28.9%

Source: City of Cathedral City, Fund Financial Statements

Fiscal Year					
2014	2015	2016	2017	2018	
					Revenues
25,011	26,776	29,775	30,566	34,319	Taxes
7,419	11,254	7,035	4,893	14,323	Intergovernmental
970	1,104	1,197	1,349	1,877	Licenses and permits
487	498	463	597	496	Fines and forfeitures
4,502	6,251	5,259	6,019	7,205	Charges for services
5,755	599	561	571	620	Special assessments
74	222	84	170	678	Development fees
1,181	917	1,991	2,738	2,625	Use of money and property
-	-	794	-	-	Contributions from City
4,532	-	3,418	-	-	Contributions from property owners
-	-	-	1,400	-	Contributions from other entities
18,980	13,768	8,783	8,722	8,598	Contributions from other governments
848	637	670	460	1,731	Other revenue
69,759	62,026	60,030	57,485	72,472	Total Revenues
					Expenditures
8,439	9,537	8,861	9,910	11,180	General government
5,384	4,381	4,662	5,679	5,459	Community development
254	425	742	709	458	Culture and recreation
20,897	21,689	22,114	24,006	27,391	Public safety
2,741	3,247	2,950	3,497	3,599	Public works
4,228	6,797	4,254	8,625	20,094	Capital outlay
-	-	-	-	-	Payments under pass-through agreements
6,063	85,384	10,624	5,206	7,032	Principal retirement
10,329	8,958	6,459	6,840	6,578	Interest
-	-	838	-	-	Debt issuance costs
-	-	-	-	-	Other debt-related costs
58,335	140,418	61,504	64,472	81,791	Total Expenditures
11,424	(78,392)	(1,474)	(6,987)	(9,319)	Excess (deficiency) of revenues over (under) expenditures
					Other Financing Sources (Uses)
137	-	36,170	-	-	Issuance of debt
-	-	6,698	-	-	Issuance of refunding debt
-	-	-	1,448	(975)	Proceeds from sale of capital assets
-	(36)	-	-	-	Gain (loss) on sale of assets held for disposition
1,741	12,910	2,146	508	678	Transfers in
(1,782)	(13,517)	(5,128)	(526)	(799)	Transfers out
96	(643)	39,886	1,430	(1,096)	Total Other Financing Sources (Uses)
-	-	-	-	-	Extraordinary items
-	79,927	(1,274)	-	-	Special items
11,520	892	37,138	(5,557)	(10,415)	Net Change in Fund Balances
30.2%	70.4%	29.0%	19.2%	20.9%	Debt service as a % of noncapital expenditures

Tax Revenues by Source - Governmental Funds

Last Ten Fiscal Years (dollar in thousands – modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Taxes					
Cannabis/marijuana	\$ -	-	-	-	-
Franchise	1,995	1,856	1,851	1,866	1,881
In-lieu VLF property	4,214	3,690	3,469	3,339	3,260
Property	1,353	1,217	1,265	1,836	2,101
Sales	6,165	5,468	6,572	6,895	7,403
Time share developer	483	481	464	521	530
Transactions and use	-	-	2,941	4,337	4,725
Transient occupancy	1,150	1,023	999	1,136	1,114
Utility users	635	2,861	2,766	2,753	2,802
Subtotal	<u>15,995</u>	<u>16,596</u>	<u>20,327</u>	<u>22,683</u>	<u>23,816</u>
Motor vehicle in-lieu	-	-	-	-	-
Property (former RDA tax increment) (Note 1)	27,482	24,040	21,801	10,548	-
Special assessments	-	-	-	-	-
Vehicle fines and forfeits	-	-	-	-	-
Total	<u><u>\$ 43,477</u></u>	<u><u>40,636</u></u>	<u><u>42,128</u></u>	<u><u>33,231</u></u>	<u><u>23,816</u></u>

Notes to Schedule:

Note 1: The City's redevelopment agency was dissolved February 1, 2012, in accordance with ABX1 26. Prior to this date, property taxes included tax increment received by the redevelopment agency. Taxes received subsequent to that date are recorded in private-purpose trust funds for payment of outstanding obligations.

Note 2: As part of the negotiations surrounding a state budget deficit, cities and counties agreed to exchange state general fund revenues they received to offset vehicle license fee (VLF) reductions for a like amount of property tax revenues from ERAF (Education Revenue Augmentation Fund). The VLF/Property Tax swap began with the fiscal year ended June 30, 2005.

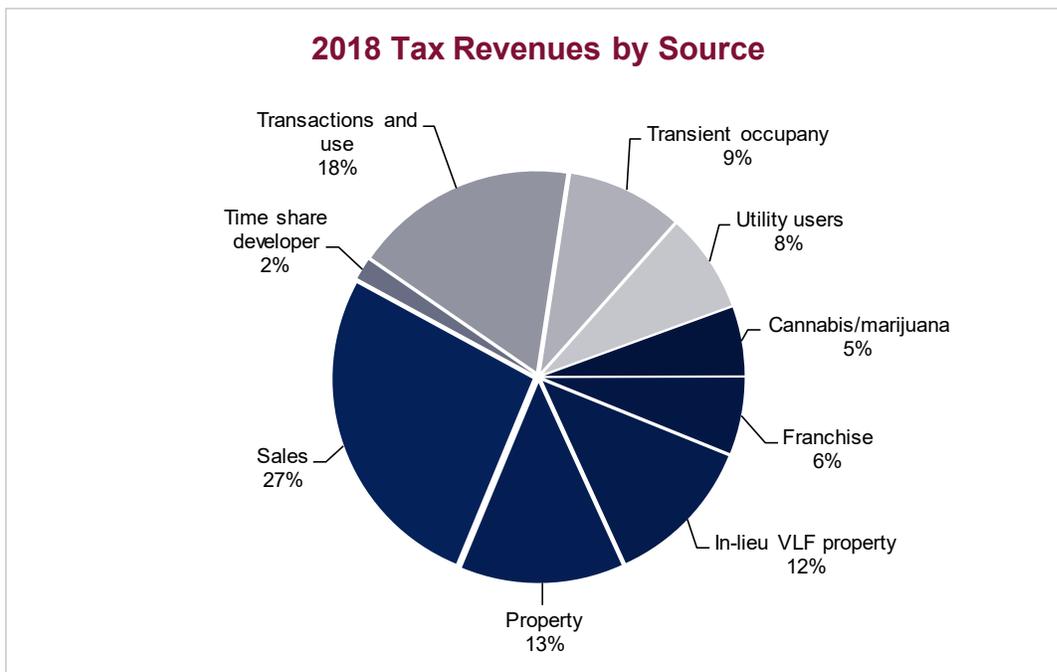
Note 3: Sales tax includes supplemental amounts from the Sales Tax Compensation Fund beginning with the fiscal year ended June 30, 2005. The supplemental amounts are the results of the state's "triple flip", whereby local governments swapped part of their sales tax (0.25%) for a like amount of property tax. The triple flip ended in fiscal year 2014/15, with final payments being received in fiscal year 2015/16.

Note 4: Beginning in 2008, the motor vehicle in-lieu revenue, a state subvention, is being reported as intergovernmental revenue.

Note 5: Prior to 2008, franchise fees were reported as charges for services.

Source: City of Cathedral City Finance Department

Fiscal Year					
2014	2015	2016	2017	2018	
-	-	47	450	1,894	Taxes
1,980	1,995	1,885	2,145	2,114	Cannabis/marijuana
3,408	3,578	3,776	3,959	4,140	Franchise
1,907	2,647	3,575	3,847	4,486	In-lieu VLF property
8,159	8,427	9,596	8,727	9,155	Property
543	552	557	567	579	Sales
4,911	5,327	5,821	5,658	6,105	Time share developer
1,340	1,447	1,771	2,504	3,147	Transactions and use
2,763	2,803	2,747	2,709	2,699	Transient occupancy
25,011	26,776	29,775	30,566	34,319	Utility users
-	-	-	-	-	Subtotal
-	-	-	-	-	Motor vehicle in-lieu
-	-	-	-	-	Property (former RDA tax increment) (Note 1)
-	-	-	-	-	Special assessments
-	-	-	-	-	Vehicle fines and forfeits
25,011	26,776	29,775	30,566	34,319	Total



Taxable Sales by Category

Last Ten Calendar Years (dollar in thousands)

	Calendar Year				
	2008	2009	2010	2011	2012
Apparel stores	\$ 9,562	8,183	8,565	10,339	9,780
General merchandise	35,269	32,338	31,261	30,311	30,435
Food stores	29,154	30,088	27,138	26,829	26,649
Eating and drinking places	60,612	52,246	49,463	52,349	52,758
Building materials	39,596	27,298	18,753	19,239	23,090
Auto dealers and supplies	277,725	234,465	259,574	291,893	319,991
Service stations	92,338	66,504	77,474	92,161	84,041
Other retail stores	59,895	53,488	52,391	47,807	55,506
All other outlets	149,801	102,223	98,077	106,856	115,092
Total	\$ 753,952	606,833	622,696	677,784	717,342
Sales tax rate:					
State rate (Notes 2 through 4)	6.25%	7.25%	7.25%	6.25%	6.25%
Local rate	1.00%	1.00%	1.00%	1.00%	1.00%
District rate-Riverside County - Measure A (transit)	0.50%	0.50%	0.50%	0.50%	0.50%
District rate-Cathedral City - Measures H/B (Note 5)	0.00%	0.00%	1.00%	1.00%	1.00%
Total sales tax rate	7.75%	8.75%	9.75%	8.75%	8.75%

Note to Schedule:

Note 1: Sales tax data is required to be kept confidential by California Revenue and Taxation Code Section 7056. Sales tax information for groups of businesses are allowed to be disclosed if: (1) at least 25 retailers are included; (2) businesses are presented in random or alphabetical order; (3) businesses are not ranked by amount paid; and (4) sales or use tax amounts are omitted.

Note 2: State rate increased from 6.25% to 7.25% effective April 1, 2009.

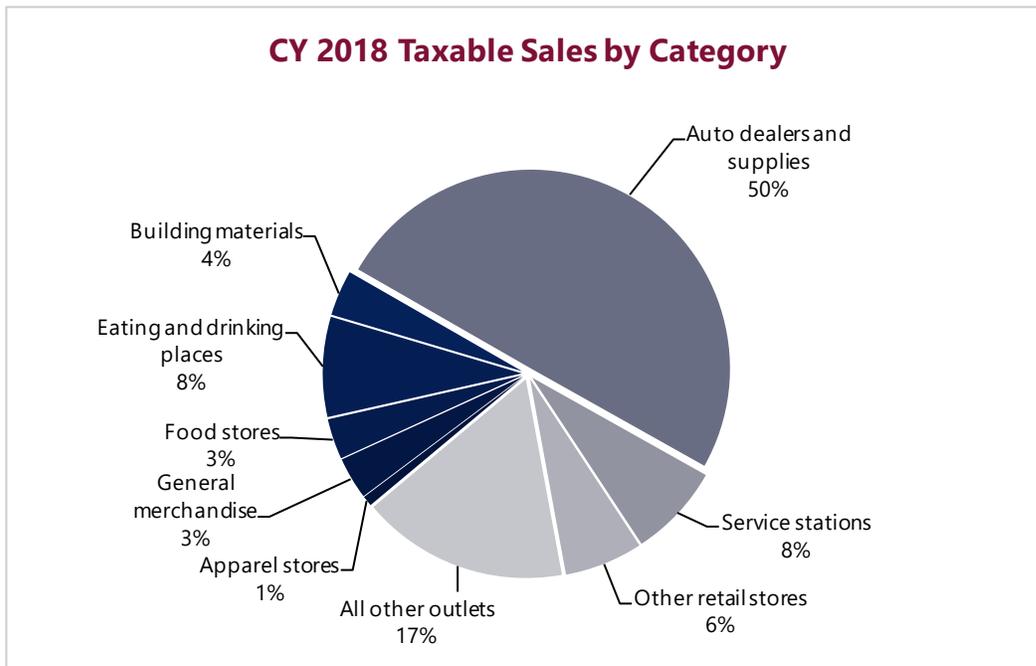
Note 3: Rate decreased from 7.25% to 6.25% effective July 1, 2011.

Note 4: Rate increased from 6.25% to 6.50% effective January 1, 2013.

Note 5: Additional District tax rate of 1.00% effective October 1, 2010, resulting from the passage of Measure H in June 2010. The District tax was temporary and set to expire September 30, 2015. In June 2014, voters approved Measure B extending the 1% tax indefinitely.

Source: The HDL Companies; State of California Board of Equalization

Calendar Year					
2013	2014	2015	2016	2017	
10,750	10,691	10,230	9,538	7,619	Apparel stores
31,110	31,276	29,907	29,301	31,239	General merchandise
27,245	27,970	29,216	29,915	30,116	Food stores
55,120	58,218	64,215	68,281	74,075	Eating and drinking places
27,369	32,134	36,537	34,344	33,715	Building materials
375,943	406,984	447,301	444,525	453,795	Auto dealers and supplies
77,170	81,020	80,086	66,735	69,241	Service stations
58,501	55,796	54,580	55,942	57,807	Other retail stores
129,638	135,583	145,868	151,129	152,830	All other outlets
792,846	839,672	897,940	889,710	910,437	Total
6.50%	6.50%	6.50%	6.50%	6.50%	Sales tax rate: State rate (Notes 2 through 4)
1.00%	1.00%	1.00%	1.00%	1.00%	Local rate
0.50%	0.50%	0.50%	0.50%	0.50%	District rate-Riverside County - Measure A (transit)
1.00%	1.00%	1.00%	1.00%	1.00%	District rate-Cathedral City - Measures H/B (Note 5)
9.00%	9.00%	9.00%	9.00%	9.00%	Total sales tax rate



Top 25 Sales Tax Producers

Current Year and Nine Years Ago (listed alphabetically)

2018	
Taxpayer	Business
7 Eleven	Service Stations
7 Eleven	Service Stations
76	Service Stations
Acura of the Desert	New Motor Vehicle Dealers
Arco AM PM	Service Stations
Crystal Chrysler Jeep Dodge Center	New Motor Vehicle Dealers
Honda Lease Trust	New Motor Vehicle Dealers
Honda of the Desert	New Motor Vehicle Dealers
Jessup Auto Plaza	New Motor Vehicle Dealers
McDonalds	Quick-Service Restaurants
Mike Thompsons RVs	Trailers/RVs
Palm Springs Ford	New Motor Vehicle Dealers
Palm Springs Kia	New Motor Vehicle Dealers
Palm Springs Nissan	New Motor Vehicle Dealers
Palm Springs Volvo & Subaru	New Motor Vehicle Dealers
Shottenkirk Desert Lexus	New Motor Vehicle Dealers
Stater Bros	Grocery Stores
Target	Discount Dept Stores
Toyota Lease Trust	Auto Lease
Toyota of the Desert	New Motor Vehicle Dealers
United Rentals	Repair Shop/Equip. Rentals
Volksw agen of Palm Springs	New Motor Vehicle Dealers

Percentage of total paid by top 25 accounts - 63.41%

2009	
Taxpayer	Business
Arco	Service Stations
Arco AM PM	Service Stations
Burlington	Family Apparel
Crystal Chrysler Jeep Dodge Center	New Motor Vehicle Dealers
Desert Lexus	New Motor Vehicle Dealers
Ferguson Enterprises	Plumbing/Electrical Supplies
Honda of the Desert	New Motor Vehicle Dealers
Honda of the Desert	New Motor Vehicle Dealers
Jack in the Box	Quick-Service Restaurants
JC Mobil	Service Stations
Jessup Auto Plaza	New Motor Vehicle Dealers
Linders Furniture	Home Furnishings
Palm Springs Ford	New Motor Vehicle Dealers
Palm Springs Nissan	New Motor Vehicle Dealers
Palm Springs Oil	Service Stations
Palm Springs Volvo & Subaru	New Motor Vehicle Dealers
Ramon Car Wash & Arco AM PM	Service Stations
Stater Bros	Grocery Stores
Target	Discount Dept Stores
Toyota Motor Credit	Auto Lease
Toyota of the Desert	New Motor Vehicle Dealers
Toyota of the Desert	New Motor Vehicle Dealers
Valero Corner Store	Service Stations
Walgreens	Drug Stores
Wiley Hyundai	New Motor Vehicle Dealers

Percentage of total paid by top 25 accounts - 56.03%

Notes to Schedule:

Note 1: Information is for the periods April 2016 through March 2017 and April 2007 through March 2007, respectively.

Note 2: Sales tax data is required to be kept confidential by California Revenue and Taxation Code Section 7056. Sales tax information for groups of businesses are allowed to be disclosed if: (1) at least 25 retailers are included; (2) businesses are presented in random or alphabetical order; (3) businesses are not ranked by amount paid; and (4) sales or use tax amounts are omitted.

Source: Hinderliter, de Llamas & Associates; California State Board of Equalization

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Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years (dollar in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Residential	\$2,951,474	2,473,035	2,295,531	2,209,410	2,129,244
Commercial	433,387	463,709	450,136	432,569	439,471
Industrial	90,519	92,260	90,613	90,483	92,716
Dry farm	59	60	-	-	-
Government owned	502	512	511	514	525
Institutional	7	1,200	109	101	8
Recreational	37,441	28,333	24,878	24,544	23,320
Vacant	150,240	120,145	106,557	93,923	86,198
Cross reference	623,396	584,741	548,959	520,021	527,791
Unsecured	100,262	92,612	97,133	100,848	89,328
Other	86	-	-	-	-
Total net taxable assessed value	\$4,387,373	3,856,607	3,614,427	3,472,413	3,388,601
Total direct tax rate (Note 3)	\$ 0.91372	0.89971	0.88849	0.89234	0.88187
Estimated actual taxable value	Note 4	Note 4	Note 4	Note 4	Note 4
Assessed value as a percentage of estimated actual value	Note 4	Note 4	Note 4	Note 4	Note 4

Note to Schedule:

Note 1: In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time that it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Note 2: The "total net taxable assessed value" is net of tax-exempt property. In addition, homeowners exemptions are not included in the above totals.

Note 3: Beginning in 2013/14, the total direct rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13.

Source: HdL Coren & Cone (Riverside County Assessor 2007/08 - 2017/18 Combined Tax Rolls)

Fiscal Year					
2014	2015	2016	2017	2018	
2,282,069	2,466,935	2,625,425	2,745,532	2,876,288	Residential
443,092	438,756	462,758	481,117	515,231	Commercial
92,134	87,068	89,529	96,035	115,863	Industrial
-	-	-	-	-	Dry farm
535	537	548	557	1,144	Government owned
4,927	178	181	5,301	3,977	Institutional
23,606	21,724	21,557	21,862	24,579	Recreational
83,339	86,718	90,054	116,356	119,914	Vacant
536,668	550,002	567,938	585,569	603,650	Cross reference
92,786	90,909	83,412	92,497	74,021	Unsecured
-	-	-	-	52	Other
3,559,156	3,742,827	3,941,402	4,144,826	4,334,719	Total net taxable assessed value
0.21541	0.19547	0.21475	0.21335	0.21487	Total direct tax rate (Note 3)
Note 4	Estimated actual taxable value				
Note 4	Assessed value as a percentage of estimated actual value				

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years (rate per \$100 of assessed value)

	Fiscal Year				
	2009	2010	2011	2012	2013
Direct rate					
City's share of 1% levy per Prop 13 (Note 1)	\$ 0.16455	0.16455	0.16144	0.16144	0.16144
Redevelopment rate (Note 2)	1.00000	1.00000	1.00000	1.00000	-
Total direct rate (Note 3)	0.91372	0.89971	0.88849	0.89234	0.88187
Direct and overlapping rates (Note 4)					
Basic levy (Note 5)	\$ 1.00000	1.00000	1.00000	1.00000	1.00000
Coachella Valley Water District (CVWD)	0.04000	0.06000	0.08000	0.08000	0.08000
CVWD Improvement District 53	-	-	-	-	-
CVWD Improvement District 54	0.00650	0.00650	0.00530	-	-
Desert Community College	0.01995	0.01995	0.01995	0.01995	0.01995
Desert Water Agency	0.08000	0.08000	0.08000	0.08000	0.10000
Palm Springs Unified B&I - 1992-A	0.06007	0.12628	0.13224	0.10451	0.09351
Total direct and overlapping rates	\$ 1.20652	1.29273	1.31749	1.28446	1.29346

Note to Schedule:

Note 1: City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. Educational Revenue Augmentation Funds (ERAF) general fund tax shifts may not be included in tax ratio figures.

Note 2: Redevelopment rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated redevelopment agencies in California for fiscal year 2012/13 and years thereafter.

Note 3: Total direct rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the total direct rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Note 4: Overlapping rates are those of local and county governments that apply to property owners within the city. Not all overlapping rates apply to all city property owners.

Note 5: In 1978, California voters passed Proposition 13, which set the property tax rate at a 1% fixed amount (basic levy). This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are

Source: HdL Coren & Cone (Riverside County Assessor 2007/08 - 2016/17 Tax Rate Tables)

Fiscal Year					
2014	2015	2016	2017	2018	
					Direct rate
0.16144	0.16144	0.16144	0.16144	0.16331	City's share of 1% levy per Prop 13 (Note 1)
-	-	-	-	-	Redevelopment rate (Note 2)
0.21541	0.19547	0.21475	0.21335	0.21487	Total direct rate (Note 3)
					Direct and overlapping rates (Note 4)
1.00000	1.00000	1.00000	1.00000	1.00000	Basic levy (Note 5)
0.10000	0.10000	0.10000	0.10000	0.10000	Coachella Valley Water District (CVWD)
-	-	-	-	-	CVWD Improvement District 53
-	-	-	-	-	CVWD Improvement District 54
0.01995	0.02325	0.02087	0.02036	0.04030	Desert Community College
0.10000	0.10000	0.10000	0.10000	0.10000	Desert Water Agency
0.12961	0.10160	0.08978	0.11802	0.11146	Palm Springs Unified B&I - 1992-A
1.34956	1.32485	1.31065	1.33838	1.35176	Total direct and overlapping rates

Principal Property Taxpayers

Current Year and Nine Years Ago (dollars in thousands)

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
MHC Date Palm LLC	\$ 33,578	1	0.75%	\$ 29,747	2	0.66%
Welk Park North	27,700	2	0.62%	26,121	3	0.58%
CC RP LLC	19,886	3	0.45%			
Cathedral Hotel Group	18,544	4	0.42%			
Frome Development Omega	18,360	5	0.41%			
T Alliance One Palm Springs LLC	18,097	6	0.41%			
Roberta LP	17,668	7	0.40%	15,717	8	0.35%
Mountain View Community Partners	17,649	8	0.40%			
Bre Throne Plaza Rio Vista	16,120	9	0.36%			
Rolling Hills Silver Spur LP	14,966	10	0.34%	13,993	10	0.31%
BJ's Cat City				38,292	1	0.85%
Las Estancias Development Company				21,936	4	0.49%
Meristar Sub 1C				21,882	5	0.49%
Rio Vista Property LLC				21,751	6	0.48%
RSRV				18,684	7	0.42%
Mega Dealer				14,876	9	0.33%
Totals	\$ 202,568		4.56%	222,999		4.96%

Notes to Schedule:

Note 1: Rankings are based on taxable assessed value, not property taxes paid.

Source: HdL Coren & Cone (Riverside County Assessor 2017/18 and 2008/09 Combined Tax Rolls and the SBE Unitary Tax Roll)

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Property Tax Levies and Collections

Last Ten Fiscal Years (dollars in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Tax levy for fiscal year (Note 1)	\$ 1,029	1,031	1,058	1,070	1,062
Collections in year due	\$ 892	837	961	981	994
Collections in subsequent years	97	68	47	39	30
Total collections identifiable with levy year	\$ 989	905	1,008	1,020	1,024
Percentage of levy collected in year due	86.69%	81.18%	90.83%	91.68%	93.60%
Total percentage of levy collected	96.11%	87.78%	95.27%	95.33%	96.42%
Redevelopment Agency					
Tax levy for fiscal year (Note 1)	\$ 26,295	22,860	21,196	-	-
Collections in year due	\$ 26,279	22,619	21,066	-	-
Collections in subsequent years	1	-	-	-	-
Total collections identifiable with levy year	\$ 26,280	22,619	21,066	-	-
Percentage of levy collected in year due	99.94%	98.95%	99.39%	-	-
Total percentage of levy collected	99.94%	98.95%	99.39%	-	-
Total					
Tax levy for fiscal year (Note 1)	\$ 27,324	23,891	22,254	1,070	1,062
Collections in year due	\$ 27,171	23,456	22,027	981	994
Collections in subsequent years	98	68	47	39	30
Total collections identifiable with levy year	\$ 27,269	23,524	22,074	1,020	1,024
Percentage of levy collected in year due	99.44%	98.18%	98.98%	91.68%	93.60%
Total percentage of levy collected	99.80%	98.46%	99.19%	95.33%	96.42%

Note to Schedule:

Note 1: The total tax levy is based on the Statements of Original Charge and Tax Increment Summaries from the Riverside County Auditor-Controller's Office. This amount does not include the results of any successful appeals of a taxpayers assessed valuation. As such, the percentage of the levy collected may be lower than expected.

Note 2: The City participates in the Riverside County Teeter program, which allows for a 30% advance, one settlement payment for the first installment, a 10% advance, a settlement payment for the second installment, and one final settlement payment, which is generally received during November of the subsequent fiscal year.

Note 3: Collections for 2017 are for amounts received as of August 31, 2017.

Note 4: The Redevelopment Agency was dissolved effective February 1, 2012.

Source: City of Cathedral City; Riverside County Auditor-Controller's Office

Fiscal Year					
2014	2015	2016	2017	2018	
					General Fund
1,060	1,064	1,063	1,076	1,062	Tax levy for fiscal year (Note 1)
1,013	1,029	1,032	1,055	1,052	Collections in year due
24	22	-	-	-	Collections in subsequent years
1,037	1,051	1,032	1,055	1,052	Total collections identifiable with levy year
95.57%	96.71%	97.08%	98.05%	99.06%	Percentage of levy collected in year due
97.83%	98.78%	97.08%	98.05%	99.06%	Total percentage of levy collected
					Redevelopment Agency
-	-	-	-	-	Tax levy for fiscal year (Note 1)
-	-	-	-	-	Collections in year due
-	-	-	-	-	Collections in subsequent years
-	-	-	-	-	Total collections identifiable with levy year
-	-	-	-	-	Percentage of levy collected in year due
-	-	-	-	-	Total percentage of levy collected
					Total
1,060	1,064	1,063	1,076	1,062	Tax levy for fiscal year (Note 1)
1,013	1,029	1,032	1,055	1,052	Collections in year due
24	22	-	-	-	Collections in subsequent years
1,037	1,051	1,032	1,055	1,052	Total collections identifiable with levy year
95.57%	96.71%	97.08%	98.05%	99.06%	Percentage of levy collected in year due
97.83%	98.78%	97.08%	98.05%	99.06%	Total percentage of levy collected

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (dollar in thousands, except per capita amount)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities					
Lease revenue bonds	\$ 5,255	4,835	4,705	4,565	4,410
Tax allocation bonds	220,710	217,095	212,647	208,000	203,154
Revenue bonds	-	-	-	-	-
Limited obligation bonds	6,901	5,667	4,668	3,819	3,636
Capital leases	1,181	2,862	2,559	2,243	1,913
Long-term loans/notes	9,758	10,254	10,185	-	-
Total primary government	\$ 243,805	240,713	234,764	218,627	213,113
Percentage of personal income	22.31%	22.28%	20.60%	19.31%	19.18%
Per capita	\$ 4,694	4,584	4,443	4,208	4,072

Note to Schedule:

Note 1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note 2: See the *Demographic and Economic Statistics* table for personal income and population data. Personal income, population and per capita personal income data were based on calendar year information. To calculate the "% of Personal Income" and "Per Capita" statistics, total primary government debt for the fiscal year and personal income/population data for the calendar were used. (e.g., for fiscal year 2017 debt, calendar year 2016 personal income/population data were used.)

Source: City of Cathedral City Finance Department, The HDL Companies, State of California Board of Equalization

Fiscal Year					
2014	2015	2016	2017	2018	
					Governmental Activities
4,245	4,065	3,554	3,322	3,081	Lease revenue bonds
198,096	113,859	111,429	108,889	106,231	Tax allocation bonds
-	-	-	-	-	Revenue bonds
3,432	3,233	39,100	37,410	33,900	Limited obligation bonds
1,701	1,317	917	518	262	Capital leases
-	-	-	-	-	Long-term loans/notes
207,474	122,474	155,000	150,139	143,474	Total primary government
19.36%	11.90%	14.99%	14.41%	13.13%	Percentage of personal income
3,945	2,330	2,857	2,752	2,619	Per capita

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years (dollar in thousands, except per capita amount)

	Fiscal Year				
	2009	2010	2011	2012	2013
Lease revenue bonds	\$ 5,255	4,835	4,705	4,565	4,410
Tax allocation bonds	220,710	217,095	212,647	208,000	203,154
Limited obligation bonds	6,901	5,667	4,668	3,819	3,636
Total bonded debt	232,866	227,597	222,020	216,384	211,200
Less: Debt service reserves	(22,805)	(16,846)	(21,930)	(15,397)	(5,229)
Net bonded debt	\$ 210,061	210,751	200,090	200,987	205,971
Percentage of net bonded debt to actual taxable assessed value of property	5.45%	5.83%	5.76%	5.93%	5.79%
Net bonded debt per capita	\$ 4,001	3,988	3,851	3,840	3,916

Notes to Schedule:

Note 1: General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none). Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note 2: See the Assessed Value and Actual Value of Taxable Property table for property value data.

Note 3: See the Demographic and Economic Statistics table for population data. The ratio is calculated using population data for the

Source: City of Cathedral City Finance Department; Assessed Value and Actual Value of Taxable Property table; Demographic and Economic Statistics table

Fiscal Year					
2014	2015	2016	2017	2018	
4,245	4,065	3,554	3,322	3,081	Lease revenue bonds
198,096	113,859	111,429	108,889	106,231	Tax allocation bonds
3,432	3,233	39,100	37,410	33,900	Limited obligation bonds
205,773	121,157	154,083	149,621	143,212	Total bonded debt
(4,146)	(4,165)	(4,778)	(3,578)	-	Less: Debt service reserves
201,627	116,992	149,305	146,043	143,212	Net bonded debt
					Percentage of net bonded debt to actual taxable assessed value of property
5.39%	2.97%	3.60%	3.52%	3.30%	
					Net bonded debt per capita
3,835	2,156	2,737	2,677	2,614	

Direct and Overlapping Governmental Activities Debt

June 30, 2018

	Debt Outstanding	Percentage Applicable ⁽²⁾	City of Cathedral City Share of Debt
Direct and Overlapping Tax and Assessment Debt ⁽¹⁾			
Desert Community College District	\$ 314,935,000	5.595%	17,620,613
Palm Springs Unified School District	405,516,959	15.059%	61,066,799
Cathedral City Public Financing Authority Local Agency Revenue			
Bonds, 2015 Series A (Limited Obligations)	33,900,000	100.000%	33,900,000
City of Cathedral City Community Facilities District No. 2000-01	10,060,000	100.000%	10,060,000
City of Cathedral City 1915 Act Bonds	35,350,279	100.000%	35,350,279
Total direct and overlapping tax and assessment debt			<u>\$ 157,997,691</u>
Direct and Overlapping General Fund Debt			
Riverside County General Fund Obligations	\$ 812,829,106	1.644%	\$ 13,362,911
Riverside County Pension Obligation Bonds	266,365,000	1.644%	4,379,041
Cathedral City Public Financing Authority, 2015 Lease Revenue			
Refunding Bonds, Series 2015A (Taxable)	3,081,000	100.000%	3,081,000
City of Cathedral City (Capital Leases)	261,934	100.000%	261,934
Total gross direct and overlapping general fund debt			<u>\$ 21,084,886</u>
Less: Riverside County supported obligations			(55,128)
Total net direct and overlapping general fund debt			<u>\$ 21,029,758</u>
Direct Tax Increment Debt (Cathedral City Public Financing Authority Bonds)			
City of Cathedral City Merged Redevelopment Project Area Nos. 1 and 2	\$ 6,452,598	100.000%	\$ 6,452,598 ⁽³⁾
City of Cathedral City Redevelopment Project Area No. 3	6,310,000	100.000%	6,310,000
City of Cathedral City 2006 Merged Redevelopment Project Area	93,468,471	100.000%	93,468,471 ⁽³⁾
Total direct tax increment debt			<u>\$ 106,231,069</u>
Overlapping Tax Increment Debt (Successor Agencies)			
City of Cathedral City Redevelopment 2006 Merged Project Area	\$ 39,455,000	97.006%	\$ 38,273,717 ⁽⁴⁾
City of Cathedral City Redevelopment Housing Bonds	24,290,000	97.006%	23,562,757 ⁽⁴⁾
City of Rancho Mirage 1984 Redevelopment Project Area	54,481,027	0.225%	122,582
City of Rancho Mirage Redevelopment Housing Bonds	16,535,000	0.143%	23,645
Total overlapping tax increment debt			<u>\$ 61,982,701</u>
Total direct debt			<u>\$ 143,474,003</u>
Total gross overlapping debt			\$ 203,822,344
Total net overlapping debt			\$ 203,767,216
Gross combined total debt			\$ 347,296,347 ⁽⁵⁾
Net combined total debt			\$ 347,241,219
Ratios to 2016-17 Assessed Valuation: (\$4,144,041,063)			
Total direct and overlapping tax and assessment debt			3.65%
Total direct debt (\$150,138,782)			3.31%
Gross combined total debt			8.01%
Net combined total debt			8.01%
Ratio to Redevelopment Incremental Valuation: (\$3,638,799,131)			
Total direct and overlapping tax increment debt			4.38%

(1) Includes all bonded debt which requires a tax levy or assessment charge: e.g., general obligation bonds, Mello-Roos Act and 1915 Act Bonds, benefit assessments, lease tax obligations and parcel tax obligations.

(2) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total assessed value.

(3) Includes bond premiums and/or accreted interest on capital appreciation bonds.

(4) A portion of Project Area No. 3 is within the boundaries of the City of Rancho Mirage, which is why the percentage applicable is less than 100%.

Source: California Municipal Statistics, Inc.

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Legal Debt Margin Information

Last Ten Fiscal Years (dollar in thousands)

Calculation of Legal Debt Margin for Fiscal Year 2018

Assessed Value	4,334,719
Debt limit %	15.00%
Debt limit - (15% of assessed value)	<u>650,208</u>
Less: Debt applicable to limit	-
Legal debt margin — June 30	<u><u>\$ 650,208</u></u>

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	658,106	578,491	542,164	520,862	508,290
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>658,106</u>	<u>578,491</u>	<u>542,164</u>	<u>520,862</u>	<u>508,290</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Note to Schedule:

Note 1: The California Government Code, Section 43605, limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

Source: City of Cathedral City Finance Department; HdL Coren & Cone (Riverside County Assessor 2016/17 Combined Tax Rolls)

Fiscal Year					
2014	2015	2016	2017	2018	
555,380	583,377	591,210	621,724	650,208	Debt limit
-	-	-	-	-	Total net debt applicable to limit
<u>555,380</u>	<u>583,377</u>	<u>591,210</u>	<u>621,724</u>	<u>650,208</u>	Legal debt margin
0.00%	0.00%	0.00%	0.00%	0.00%	Total net debt applicable to the limit as a percentage of debt limit

Pledged-Revenue Coverage

Last Ten Fiscal Years (dollar in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Lease Revenue Bonds					
Pledged lease revenues	773	487	475	475	475
Available for debt service	773	487	475	475	475
Debt service - principal and interest	815	811	504	504	507
Coverage (Note 2)	0.95	0.60	0.94	0.94	0.94
Tax Allocation Bonds (Note 3):					
Pledged tax increment	27,482	24,040	21,801	10,548	-
Pledged property taxes	-	-	-	7,632	14,364
Available for debt service	27,482	24,040	21,801	18,180	14,364
Debt service - principal and interest	14,446	14,440	15,098	15,100	15,092
Coverage	1.90	1.66	1.44	1.20	0.95

Notes to Schedule:

Note 1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note 2: The decrease in the 2010 coverage percentage was the result of using the reserve balance (\$296,000) in addition to lease revenues to make the final payment on the 1996 lease revenue bonds.

Note 3: The former redevelopment agency was dissolved as of February 1, 2012. Prior to that date, tax increment monies were received from Riverside County to make the tax allocation bond payments. Subsequent to dissolution, the Successor Agency only receives property taxes in the amount necessary to pay enforceable obligations, including bonds, for each six-month period (July through December and January through June). The coverage ratio is calculated based on debt service requirements for the current fiscal year compared to property taxes received during the same period. However, property taxes actually received by the Successor Agency are for the second half of the fiscal year (January receipts) and the first half of the following fiscal year (June receipts).

Note 4: Tax allocation bonds principal and interest totaled \$93,022,679 for the fiscal year ended June 30, 2015. Of this amount, \$79,926,621 was paid from "contributions from other governments".

Note 5: Pledged property taxes received totaled \$14,501,377. These amounts were pledged to pay the tax allocation bond debt issued by the Public Financing Authority (principal/interest of \$8,064,615, and the Successor Agency (principal/interest of \$6,339,237).

Source: City of Cathedral City Finance Department

Fiscal Year					
2014	2015	2016	2017	2018	
					Lease Revenue Bonds
475	475	299	378	377	Pledged lease revenues
475	475	299	378	377	Available for debt service
505	506	299	378	377	Debt service - principal and interest
0.94	0.94	1.00	1.00	1.00	Coverage (Note 2)
					Tax Allocation Bonds (Note 3):
-	-	-	-	-	Pledged tax increment
15,879	16,803	14,073	15,017	14,501	Pledged property taxes
15,879	16,803	14,073	15,017	14,501	Available for debt service
15,086	13,096 Note 4	8,075	8,069 Note 5	8,065 Note 5	Debt service - principal and interest
1.05	1.28	1.74	1.86	1.80	Coverage

Demographic and Economic Statistics

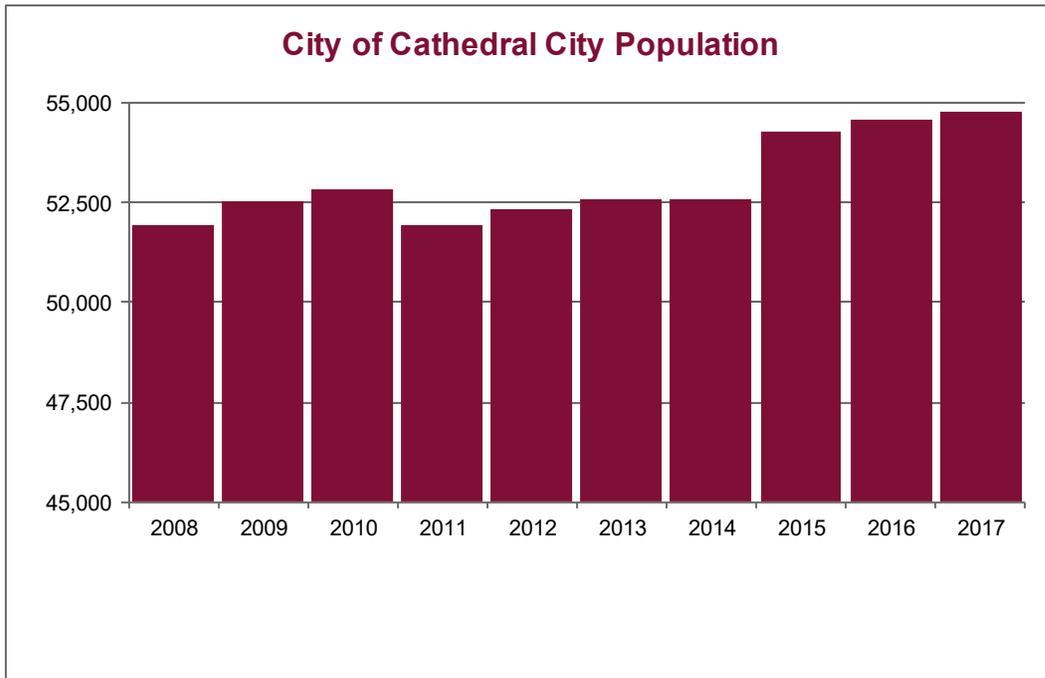
Last Ten Calendar Years

	Calendar Year				
	2008	2009	2010	2011	2012
Population ¹	51,945	52,508	52,841	51,952	52,337
Personal income (expressed in thousands) ²	\$ 1,093,008	1,080,383	1,139,728	1,132,034	1,111,219
Per capita personal income ²	\$ 21,042	20,576	21,569	21,790	21,232
Unemployment rate ³	8.30%	13.30%	14.40%	13.30%	9.40%
Median age ²	NA	33.2	35.8	36.5	35.8
% of population 25+ — high school degree ²	NA	72.70%	73.70%	73.70%	72.40%
% of population 25+ — bachelor's degree ²	NA	17.40%	17.20%	16.60%	15.60%

NA - Information not available

Source: ¹ HdL Coren & Cone (State of California, Department of Finance); ² HdL Coren & Cone (2000-2009: ESRI - demographics are based on the last available Census); (2010 and later: U.S. Census Bureau, most recent American Community Survey); ³ HdL Coren & Cone (California Employment Development Department)

Calendar Year					
2013	2014	2015	2016	2017	
52,595	52,571	54,261	54,557	54,791	Population ¹
1,071,623	1,029,235	1,033,859	1,041,771	1,092,392	Personal income (expressed in thousands) ²
20,375	19,578	19,053	19,095	19,937	Per capita personal income ²
8.10%	6.70%	5.50%	4.90%	4.50%	Unemployment rate ³
35.0	34.5	34.8	35.9	37.1	Median age ²
73.30%	73.40%	74.40%	75.30%	76.30%	% of population 25+ — high school degree ²
15.40%	15.00%	16.10%	16.70%	18.00%	% of population 25+ — bachelor's degree ²



Principal Employers

Current Year and Nine Years Ago

	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Addus Healthcare	250 - 499	1T	1.03% - 2.06%	310	2	1.27%
Doubletree-Golf Resort	250 - 499	1T	1.03% - 2.06%	300	3	1.23%
Cathedral City High School	100 - 249	3T	0.41% - 1.03%	210	4	0.86%
City of Cathedral City	100 - 249	3T	0.41% - 1.03%	200	6T	0.82%
Honda of the Desert	100 - 249	3T	0.41% - 1.03%	200	6T	0.82%
Jessup Auto Plaza	100 - 249	3T	0.41% - 1.03%			
Nellie N. Coffman Middle School	100 - 249	3T	0.41% - 1.03%			
Palm Springs Motors	100 - 249	3T	0.41% - 1.03%			
Stater Bros. Markets (Ramon)	100 - 249	3T	0.41% - 1.03%			
Toyota of the Desert	100 - 249	3T	0.41% - 1.03%	200	6T	0.82%
Target	100 - 249	3T	0.41% - 1.03%	370	1	1.52%
Palm Springs Lincoln-Mercury	100 - 249	3T	0.41% - 1.03%	201	5	0.82%
Acura of the Desert	100 - 249	3T	0.41% - 1.03%	200	6T	0.82%
Ford Rent-a-Car System	100 - 249	3T	0.41% - 1.03%	200	6T	0.82%
MOR Furniture	100 - 249	3T	0.41% - 1.03%	200	6T	0.82%
Palm Springs Unified School District	100 - 249	3T	0.41% - 1.03%	200	6T	0.82%
Totals	1,900 - 4,840		7.80% - 18.54%	2,791		11.44%
Total employees	24,229			24,373		

Notes to Schedule:

Note 1: Total employees by employer are presented as a range as specific employer totals are not available. In addition, the percentage of total city employment is also presented as a range.

Source: U.S. Department of Labor, Bureau of Labor Statistics; State of California, Employment Development Department, Labor Market Info (information provided by Infogroup, 2015) & InfoUSA.com (2008)

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Full-Time Equivalent City Government Employees by Function

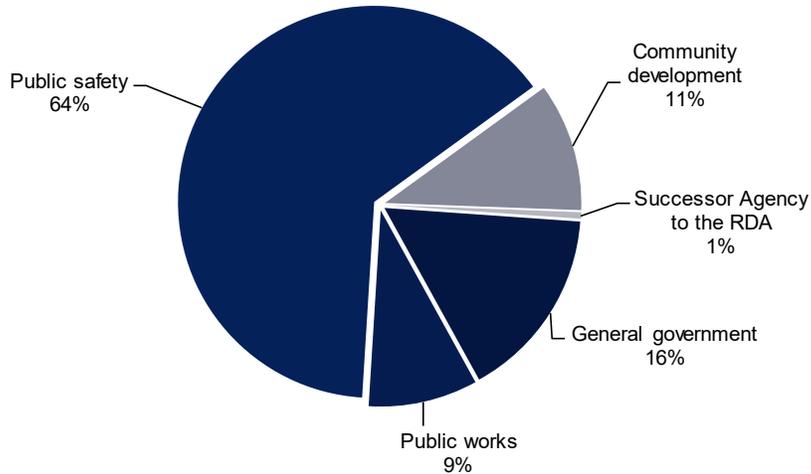
Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
General Government:					
City Council	5.00	5.00	5.00	5.00	5.00
City Management	4.00	4.50	5.50	5.50	5.00
City Clerk	2.00	1.00	1.50	1.50	1.50
Administrative Services	15.00	15.00	14.00	13.50	11.75
Redevelopment/Housing	8.00	7.50	5.50	3.00	-
All other	1.00	1.00	1.00	1.00	-
Total General Government	<u>35.00</u>	<u>34.00</u>	<u>32.50</u>	<u>29.50</u>	<u>23.25</u>
Public Works	31.00	29.00	27.00	25.00	19.00
Public Safety:					
Police	90.00	97.00	98.00	93.50	77.25
Fire	53.00	52.00	52.00	43.00	37.50
Total Public Safety	<u>143.00</u>	<u>149.00</u>	<u>150.00</u>	<u>136.50</u>	<u>114.75</u>
Community Development	20.00	14.50	14.50	13.50	8.50
Successor Agency to the RDA	-	-	-	-	1.25
Total	<u><u>229.00</u></u>	<u><u>226.50</u></u>	<u><u>224.00</u></u>	<u><u>204.50</u></u>	<u><u>166.75</u></u>

Source: City of Cathedral City (Human Resources Department)

Fiscal Year					
2014	2015	2016	2017	2018	
5.00	5.00	5.00	5.00	5.00	General Government:
5.20	5.20	9.80	9.80	8.40	City Council
2.40	2.40	2.60	2.60	2.40	City Management
12.00	12.00	12.55	14.65	14.20	City Clerk
-	-	-	-	-	Administrative Services
-	-	-	-	-	Redevelopment/Housing
-	-	-	-	-	All other
24.60	24.60	29.95	32.05	30.00	Total General Government
22.00	22.00	15.70	17.70	17.00	Public Works
77.50	74.00	73.00	75.00	75.00	Public Safety:
37.00	36.00	37.00	40.00	46.00	Police
114.50	110.00	110.00	115.00	121.00	Fire
8.50	12.95	13.90	17.25	20.00	Total Public Safety
1.50	1.50	1.60	1.00	1.00	Community Development
171.10	171.05	171.15	183.00	189.00	Successor Agency to the RDA
					Total

2018 Full-Time City Employees by Function



Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Public Works					
Streets maintained (miles)	154	154	154	154	154
Public Safety					
Police:					
Physical arrests	1,429	1,447	1,263	1,189	1,099
Parking violations	1,761	929	943	1,002	1,519
Traffic violations	4,916	3,225	2,354	4,085	4,264
Code complaints (Note 1)	-	-	-	1,761	2,047
Property/vehicle abatements (Note 1)	-	-	-	226	211
Notices/citations issued (Note 1)	-	-	-	950	813
Number of 9-1-1 calls answered (Note 1)	-	-	-	-	-
Fire:					
Number of 9-1-1 calls answered (Note 1)	4,144	4,140	4,736	4,818	4,897
Code complaints (Note 1)	2,269	1,471	1,036	-	-
Property/vehicle abatements (Note 1)	308	66	49	-	-
Notices/citations issued (Note 1)	3,168	1,028	479	-	-
Community Development					
Building permits issued	1,082	1,414	1,283	1,745	1,364
Code complaints (Note 1)	-	-	-	-	-
Property/vehicle abatements (Note 1)	-	-	-	-	-
Notices/citations issued (Note 1)	-	-	-	-	-

Notes to Schedule:

Note 1: Statistics are for the calendar year end, not fiscal year end.

Note 2: In October 2011, the Code Enforcement Division was reorganized and subsequently placed under the supervision of the Police Department. Effective July 1, 2014, the Code Enforcement Division was placed under the supervision of the Community Development Department.

Source: City of Cathedral City (various departments)

Fiscal Year					
2014	2015	2016	2017	2018	
154	157	157	157	157	Public Works Streets maintained (miles)
					Public Safety
					Police:
1,216	1,068	1,029	1,222	1,910	Physical arrests
1,821	1,413	990	1,511	1,120	Parking violations
3,292	2,703	3,113	3,479	3,853	Traffic violations
-	-	-	-	-	Code complaints (Note 1)
-	-	-	-	-	Property/vehicle abatements (Note 1)
-	-	-	-	-	Notices/citations issued (Note 1)
-	-	-	-	49,901	Number of 9-1-1 calls answered (Note 1)
					Fire:
5,047	5,280	5,660	Note 2	5,386	Number of 9-1-1 calls answered (Note 1)
-	-	-	-	-	Code complaints (Note 1)
-	-	-	-	-	Property/vehicle abatements (Note 1)
-	-	-	-	-	Notices/citations issued (Note 1)
					Community Development
1,662	1,891	2,134	2,021	2,173	Building permits issued
2,080	935	1,486	Note 1	1,866	Code complaints (Note 1)
325	254	334	Note 1	683	Property/vehicle abatements (Note 1)
765	1,080	884	Note 1	1,731	Notices/citations issued (Note 1)

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Public Works					
Streets (center lane miles)	154	154	154	154	154
Streetlights	1,161	1,181	1,184	1,184	1,184
Traffic signs	4,283	4,283	4,283	4,308	4,308
Traffic signals	46	48	49	49	49
Public Safety					
Police:					
Stations	1	1	1	1	1
Patrol units	83	80	76	73	64
Fire stations	3	3	3	3	3
Culture and Recreation					
Parks	7	7	7	7	7
Parks acreage	39	39	39	39	39
Community centers	1	1	1	1	1
Libraries	1	1	1	1	1

Source: City of Cathedral City (various departments)

Fiscal Year					
2014	2015	2016	2017	2018	
					Public Works
154	157	157	157	157	Streets (center lane miles)
1,184	1,190	1,190	1,190	1,190	Streetlights
4,308	4,333	4,333	4,333	4,333	Traffic signs
49	50	50	50	50	Traffic signals
					Public Safety
					Police:
1	1	1	1	1	Stations
64	65	57	55	55	Patrol units
3	3	3	3	3	Fire stations
					Culture and Recreation
8	9	10	10	10	Parks
40	43	48	48	48	Parks acreage
1	1	1	0	0	Community centers
1	1	1	1	1	Libraries



Cathedral City

FINANCE DEPARTMENT

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