

2019

Comprehensive Annual Financial Report

Year ended June 30, 2019



City of Cathedral City, California

2019

Comprehensive Annual Financial Report

Year ended June 30, 2019

City of Cathedral City, California



Cathedral City

prepared by

FINANCE DEPARTMENT

Tami E. Scott, Administrative Services Director

available online at
www.cathedralcity.gov

THIS PAGE LEFT BLANK INTENTIONALLY.

CONTENTS

INTRODUCTION

- 1 Letter of Transmittal
- 8 Principal Officials
- 9 City Organization Chart
- 10 Government Finance Officers Association Awards

FINANCIAL

- 11 Independent Auditor's Report
- 15 Management's Discussion and Analysis (Unaudited)

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

- 27 Statement of Net Position
- 28 Statement of Activities

FUND FINANCIAL STATEMENTS

- 30 Balance Sheet – Governmental Funds
- 32 Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
- 34 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- 36 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Funds Balances – Governmental Funds to the Statement of Activities
- 37 Statement of Net Position – Proprietary Funds
- 38 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
- 39 Statement of Cash Flows – Proprietary Funds
- 40 Statement of Fiduciary Net Position – Fiduciary Funds
- 41 Statement of Changes in Fiduciary Net Position – Fiduciary Funds

NOTES TO BASIC FINANCIAL STATEMENTS

- 43 Contents
- 45 I. Summary of Significant Accounting Policies
- 54 II. Stewardship, Compliance, and Accountability
- 54 III. Detailed Notes for All Funds
- 72 IV. Other Note Disclosures

REQUIRED SUPPLEMENTARY INFORMATION

- 83 Required Supplementary Information Budgetary Comparison Schedule – General Fund
- 84 Required Supplementary Information Budgetary Comparison Schedule – Major Special Revenue Funds
- 86 Notes to Required Supplementary Information Budgetary Comparison Schedules
- 88 Required Supplementary Information – Schedule of the City's Proportionate Share of the Net Pension Liability

- 90 Required Supplementary Information – Schedule of Contributions
- 92 Required Supplementary Information – Schedule of Changes in the Total OPEB Liability and Related Ratios

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS

- 95 Combining Schedule of Accounts – General Fund
- 96 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund
- 97 Schedule of Expenditures Compared with Authorizations – General Fund
- 99 Nonmajor Governmental Fund Descriptions
- 102 Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type
- 103 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds by Fund Type
- 104 Combining Balance Sheet – Nonmajor Special Revenue Funds
- 108 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds
- 112 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds
- 130 Combining Balance Sheet – Nonmajor Capital Projects Funds
- 134 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds

PROPRIETARY FUNDS

- 139 Proprietary Fund Descriptions
- 140 Combining Statement of Net Position – Internal Service Funds
- 141 Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
- 142 Combining Statement of Cash Flows – Internal Service Funds

FIDUCIARY FUNDS

- 145 Fiduciary Fund Descriptions
- 146 Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds – Successor Agency Trust Funds
- 148 Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds – Successor Agency Trust Funds
- 151 Combining Statement of Changes in Assets and Liabilities – Agency Funds

STATISTICAL (UNAUDITED)

155 Contents

FINANCIAL TRENDS

156 Net Position by Component
158 Changes in Net Position
162 Fund Balances of Governmental Funds
163 Changes in Fund Balances of Governmental Funds
166 Tax Revenues by Source – Governmental Funds

REVENUE CAPACITY

168 Taxable Sales by Category
170 Top 25 Sales Tax Producers
172 Assessed Value and Estimated Actual Value of Taxable Property
174 Direct and Overlapping Property Tax Rates
176 Principal Property Taxpayers
178 Property Tax Levies and Collections

DEBT CAPACITY

180 Ratios of Outstanding Debt by Type
182 Ratios of General Bonded Debt Outstanding
184 Direct and Overlapping Governmental Activities Debt
186 Legal Debt Margin Information
188 Pledged-Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION

190 Demographic and Economic Statistics
192 Principal Employers
194 Full-time Equivalent City Government Employees by Function

OPERATING INFORMATION

196 Operating Indicators by Function
198 Capital Asset Statistics by Function

GLOSSARY

201 Glossary of Acronyms

INTRODUCTION



City of Cathedral City, California



City of Cathedral City, California

**Department of Finance**

68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234
P: 760.770.0340
F: 760.202.1467
www.cathedralcity.gov

December 20, 2019

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, 2019.

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, 2019. 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, 2019. 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 presented on a multi-year basis up to the past 10 years.

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), engineering and public works (streets, grounds, parks, and facilities), community development (building, planning, and code compliance), city management including city clerk, communications and events, economic development, human resources, and general administrative support to include finance, risk management and management information systems. The CAFR also includes the City's component units, which are legally separate organizations 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 is adopted by the City Council at the same time the first year is adopted. Each year is separate and distinct. Unencumbered funds from the first year do not carry over into the second year. City Council adopted the upcoming biennial budget for fiscal years 2019/20 and 2020/21 on May 8, 2019.

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 provided 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 requirements 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. In eastern Riverside County, the City is a business and resort community located in the heart of the Coachella Valley conveniently located between Palm Springs to the west and Rancho Mirage to the east. With a diverse population of more than 54,900, 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 (Desert Cinema), which houses 14 movie screens. 2019 brought the relocation of the Coachella Valley Repertory (CVRep) Theatre, the only Actor's Equity Small Professional Theatre (SPT) company in the Coachella Valley, to the City's Downtown Entertainment District.

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 Eisenhower Medical Center, which includes a cancer 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 a 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 representing districts three through five, and two council members elected in 2020, representing districts one and two. 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 2018/19, it accounted for almost 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 2018/19, sales tax and use tax has increased almost \$8.2 million, more than 86%.

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 3+ years, more than 75 applications were received for cannabis and marijuana dispensaries, cultivators, and manufacturers. As of fiscal year 2018/19, the City has 45 active sites comprised of 13 dispensaries, 18 cultivators, and 14 manufacturers resulting in more than \$4.6 million in tax revenue. In the upcoming fiscal year (19/20), we anticipate additional cultivation and manufacturing sites to open within our city limits resulting in an estimated \$6.25 million in annual revenues.

EVENTS, EVENTS AND MORE EVENTS

Cathedral City has become the destination for events. The City's five Signature Events include the Tejano Music Festival (October), Balloon Festival (November), SnowFest (December), Taste of Jalisco (February), and Lesbian, Gay, Bisexual and Transgender (LGBT) Days. There were 10 other events throughout the year, such as the ever-popular Kidapalooza, celebrated on Easter Sunday which includes a 30,000 Easter Egg Hunt on the City's festival lawn and town square, as well as the annual Fall Festival/Spooktacular/Dia de Los Muertos celebrated during the late October/early November Halloween season.

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 \$500,000 from fiscal year 2017/18 to fiscal year 2018/19. The City met this increased demand of visitors through the following means: (1) continued success for the Staybridge Suites Cathedral City Golf Resort at 30th Avenue near Landau Boulevard and the transformed DoubleTree Golf Resort Palm Springs at Vista Chino and Landau Boulevard; and (2) more than a 50% 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 enforcement 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 road rehabilitation and improvements in Cathedral City to include:

- Date Palm Bridge Widening
- Date Palm/Dinah Shore intersection, and
- Dinah Shore roadway from Date Palm to the western City limits



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 additional taxes 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 solely remitted to the City's General Fund. Instead, the taxes are also remitted to other taxing agencies such as Riverside County, school districts, and special districts. As a result, the City's General Fund generally receives almost \$4.8 million, or just 9%, 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, demonstrating 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 2018/19, the City continued to see more residential housing units in various locations throughout the city. The City issued 118 residential construction/building permits in three primary developments and neighborhoods:

- Desert Princess Homes at Desert Princess Country Club near Vista Chino and Landau Boulevard
- The District East at Cree Road and Jones Road
- DR Horton in the Verano neighborhood north of the Rio Vista neighborhood
- Various infill (empty) lots in City neighborhoods

COMMUNITY ASSISTANCE

In fiscal year 2018/19, the City Council continued the existing community assistance program supporting the local Boys & Girls Club, the Senior Center, and two regional homeless programs. In addition, the City has a comprehensive program where various non-profits and governmental agencies apply each year for spot grants. For this program, 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. During FY 18/19, 16 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 last recession and prepares for the future, it is necessary for the City to prepare and minimize any impact in providing 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 necessary to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. At the end of fiscal year 2018/19, the City's General Fund (Fund 100) fund balance is over \$25 million representing 51.1% of budgeted expenditures for the upcoming fiscal year (19/20).

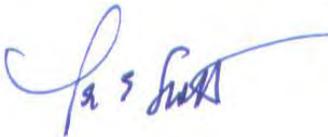
AWARDS AND ACKNOWLEDGEMENTS

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, 2018. 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 fourteenth 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 2018/19 CAFR continues to conform to the Certificate of Achievement program requirements and we plan to 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 are 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 our independent auditors, Lance, Soll & Lunghard, LLP, conducted their audit.

Respectfully submitted,



Tami E. Scott
Administrative Services Director

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY COUNCIL

Council Member
Mayor 2019



Mark Carnevale
Term Expires 2022

Council Member
Mayor Pro Tem 2019



John Aguilar
Term Expires 2020

Council Member



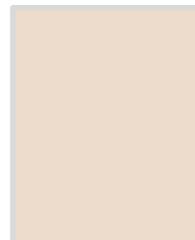
Raymond Gregory
Term Expires 2022

Council Member



Ernesto Gutierrez
Term Expires 2022

Council Member



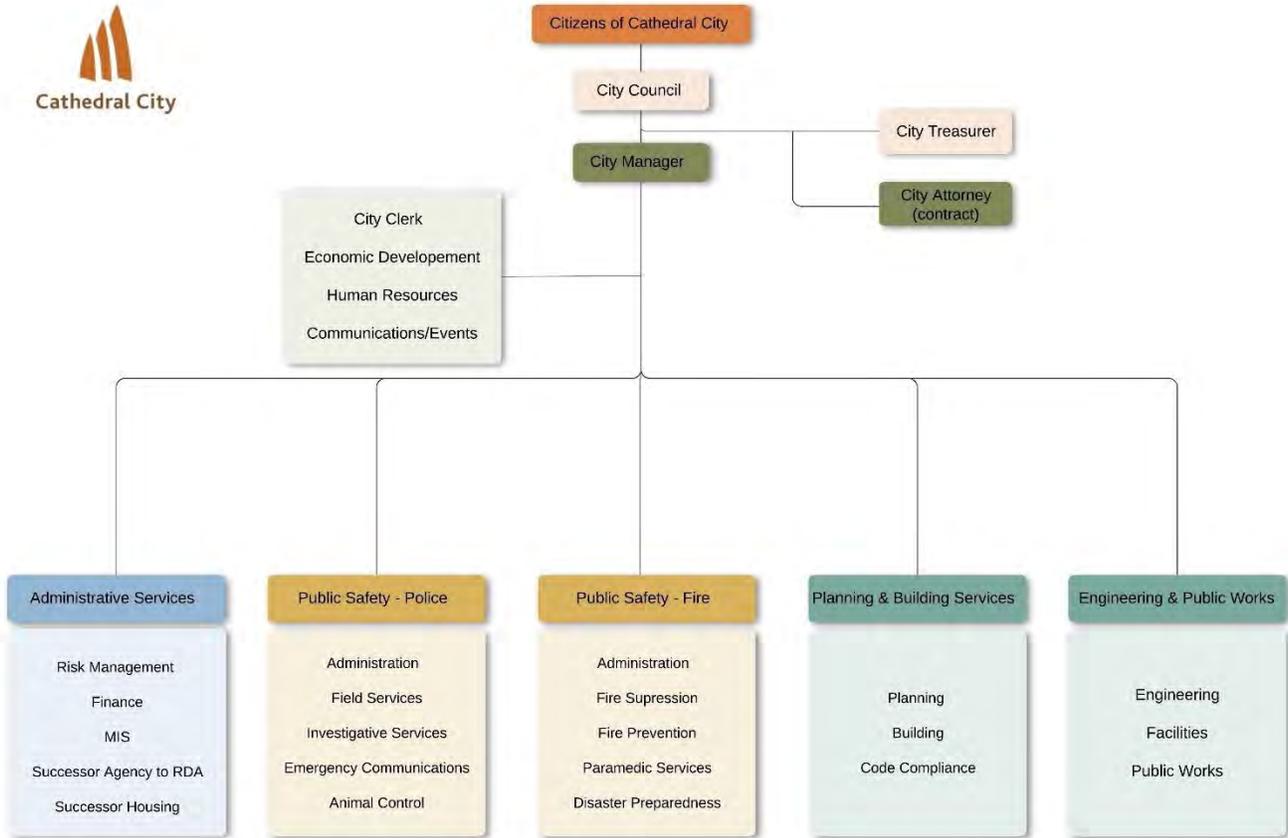
Open
Term Expires 2020

OTHER ELECTED OFFICIALS

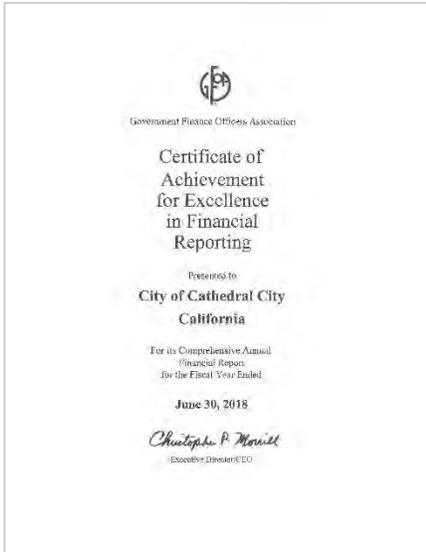
City Treasurer..... Henry Chan

ADMINISTRATIVE OFFICIALS

City Manager..... Charles McClendon
 City Attorney Eric Vail
 Administrative Services Director Tami Scott
 Fire Chief..... Paul Wilson
 Police Chief Travis Walker
 Building and Planning Services Director Robert Rodriguez
 Economic Development Director Stone James
 Engineering & Public Works Director John Corella



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



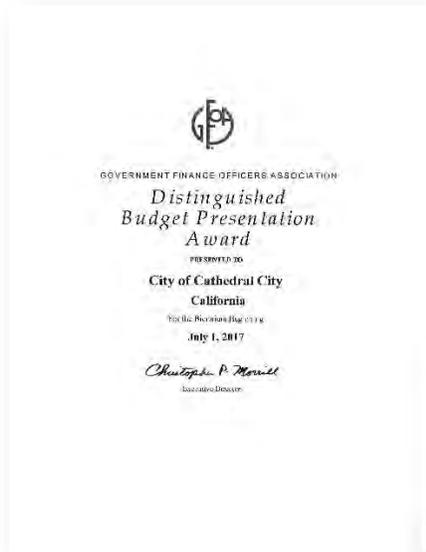
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cathedral City for its comprehensive annual financial report for the fiscal year ended June 30, 2018.

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 these four program criteria: a policy document, operations guide, financial plan, and 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. We believe our current biennial budget beginning July 1, 2019 continues to conform to the Certificate of Achievement for Excellence in Financial Reporting requirements and have submitted it to GFOA for their consideration.

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

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.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Luyhard, LLP".

Brea, California
December 20, 2019

THIS PAGE LEFT BLANK INTENTIONALLY.

MANAGEMENT'S DISCUSSION AND ANALYSIS





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, 2019. 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 \$43,548,527 (net position). Unrestricted net position, which may be used to meet the City's ongoing obligations, was \$-180,835,461 at year end.
- The City's net position increased \$12,780,111 in this fiscal year primarily due to a \$7,566,585 increase in assets and a \$7,749,079 decrease in liabilities.
- As of close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$97,550,179 an increase of \$1,279,837 from the prior year. A total of \$25,866,466, or 26.5%, 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 \$25,763,355, which represents 52.7% of General Fund (Fund 100) FY 19/20 budgeted expenditures (including transfers out). The \$25,763,355 is set aside for cash flow reserves, future economic uncertainties, and budget reserves in accordance with the fund balance policy approved in April 2019.
- The City began a four-year plan, including four phases, to migrate to a City-wide Enterprise Resource Planning (ERP) system. In fiscal year 2018-2019, phase 1 was implemented on January 1, 2019 for the financial backbone. As a result, the City merged/converted financial data mid-year, and has established the foundation for an integrated framework for City financial, business and administrative functions.

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 and statistical information, which both are intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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 resulting 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. are also considered when assessing the overall health of the City.

Governmental activities report the City's basic services, which include general government, community development, public safety, public works and culture and recreation. 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 mechanism 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 liabilities and deferred inflows of resources at the close of the fiscal year by \$43,548,527.

Investment in capital assets totaling \$164,675,734 is comprised of land, buildings, structures, infrastructure, vehicles 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 Position of the City includes \$59,708,254 of restricted net position. These are resources subject to external restrictions as to how they may be used by the City.

A portion of the City's net position, -\$180,835,461 is unrestricted. If positive, this 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.

THIS SPACE LEFT BLANK INTENTIONALLY.

Table 1 summarizes the City's net position (dollars in thousands) as of June 30, 2019 and 2018.

Table 1
Net Position
(dollars in thousands)

| | Primary Government | | Change |
|---|--------------------------------|------------------|-----------------|
| | Governmental Activities | | |
| | 2019 | 2018 | |
| Current and other assets | \$ 135,224 | \$ 133,316 | 1,908 |
| Capital assets | <u>164,676</u> | <u>159,017</u> | <u>5,659</u> |
| Total assets | 299,900 | 292,333 | 7,567 |
| Deferred outflows for pensions and OPEB | <u>12,651</u> | <u>15,622</u> | <u>(2,971)</u> |
| Total deferred outflows of resources | 12,651 | 15,622 | (2,971) |
| Noncurrent liabilities | 248,355 | 254,067 | (5,712) |
| Other liabilities | <u>9,103</u> | <u>11,140</u> | <u>(2,037)</u> |
| Total liabilities | 257,458 | 265,207 | (7,749) |
| Deferred inflows for pensions and OPEB | <u>11,544</u> | <u>11,980</u> | <u>(436)</u> |
| Total deferred inflows of resources | 11,544 | 11,980 | (436) |
| Investment in capital assets | 164,676 | 158,755 | 5,921 |
| Restricted | 59,708 | 81,378 | (21,670) |
| Unrestricted (deficit) | <u>(180,835)</u> | <u>(209,365)</u> | <u>(28,530)</u> |
| Total net position | \$ 43,549 | \$ 30,768 | 12,781 |

Governmental activities increased the City's net position by \$12,780,111, for the fiscal year ended June 30, 2019. Key elements of this increase are primarily due to the \$28,529,719 reduction in the unrestricted deficit, along with the \$7 million increase in assets and the \$7 million decrease in liabilities cited above in the Financial Highlights. The increase in assets is primarily due to the addition of infrastructure assets completed during the current year. The decrease in liabilities is primarily due to bond principal payments made in FY 2018/19.

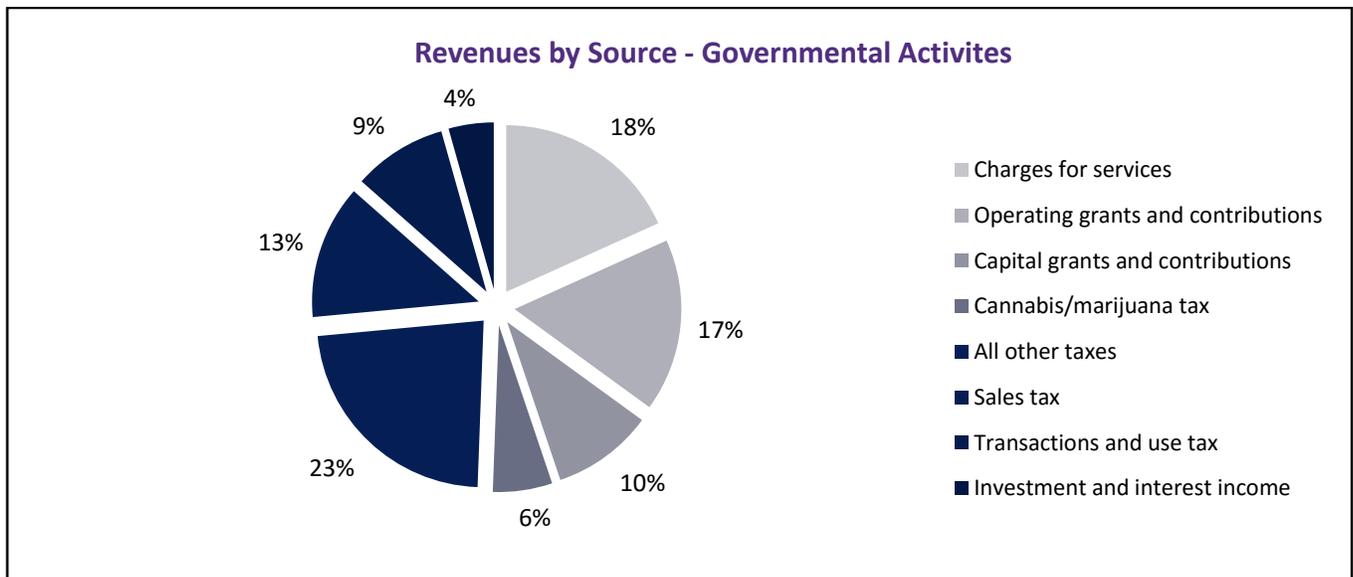
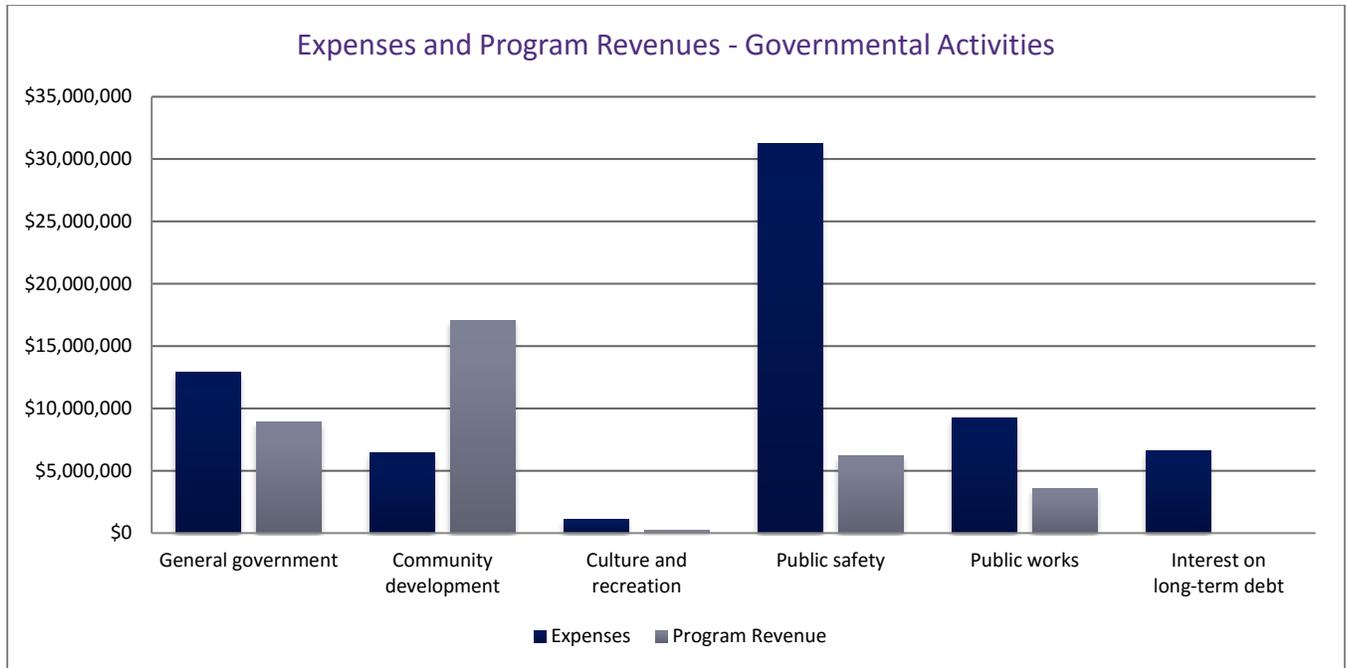
THIS SPACE LEFT BLANK INTENTIONALLY.

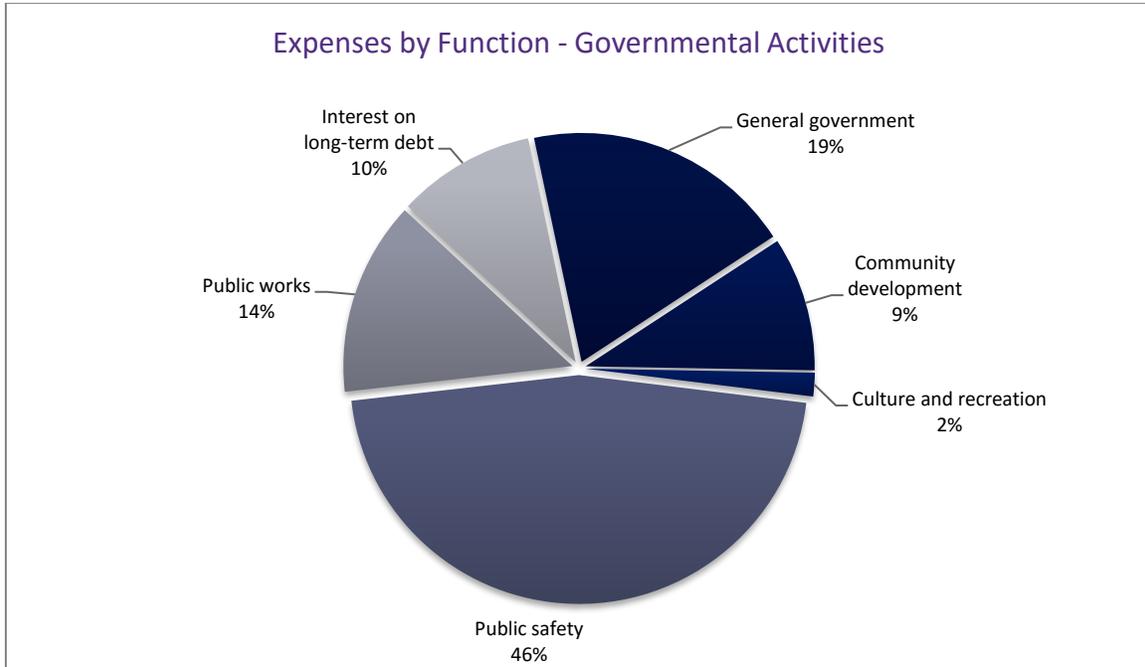
Table 2 summarizes the City's changes in net position (dollars in thousands) for the years ended June 30, 2019 and 2018.

Table 2
Changes in Net Position
(dollars in thousands)

| | Primary Government Governmental Activities | | Change |
|---|---|----------------------|----------------------|
| | 2019 | 2018 | |
| Program revenues: | | | |
| Charges for services | \$ 14,610 | 11,908 | 2,702 |
| Operating grants and contributions | 13,412 | 14,023 | (611) |
| Capital grants and contributions | 7,860 | 14,097 | (6,237) |
| General revenues: | | | |
| Taxes: | | | |
| Cannabis/marijuana tax | 4,607 | 1,894 | 2,713 |
| Franchise tax | 2,231 | 2,114 | 117 |
| Property tax | 9,128 | 8,626 | 502 |
| Sales tax | 10,412 | 9,154 | 1,258 |
| Transaction and use tax | 7,289 | 6,105 | 1,184 |
| Transient occupancy/timeshare developer | 4,232 | 3,726 | 506 |
| Utility users' tax | 2,692 | 2,699 | (7) |
| Investment and interest income | 3,499 | 2,713 | 786 |
| Other revenue | 372 | 747 | (376) |
| Total revenues | <u>80,342</u> | <u>77,806</u> | <u>2,536</u> |
| Expenses: | | | |
| General government | 12,914 | 12,685 | 229 |
| Community development | 6,416 | 5,864 | 552 |
| Culture and recreation | 1,125 | 728 | 397 |
| Public safety | 31,259 | 28,948 | 2311 |
| Public works | 9,266 | 12,860 | (3,594) |
| Interest on long-term debt | 6,581 | 6,852 | (271) |
| Total expenses | <u>67,561</u> | <u>67,937</u> | <u>(376)</u> |
| Revenues over (under) expenses | 12,781 | 9,869 | 2,912 |
| Change in net position | 12,781 | 9,869 | 2,912 |
| Net position – July 1 | 30,768 | 53,463 | (22,695) |
| Restatement | - | (32,564) | 32,564 |
| Net position – June 30 | <u>\$ 43,549</u> | <u>30,768</u> | <u>12,781</u> |

THIS SPACE LEFT BLANK INTENTIONALLY.





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 purposes by the City Council.

As of June 30, 2019, the City's governmental funds reported combining fund balances of \$97,550,179, an increase of \$1,279,840 in comparison with the prior year. Approximately 26.5% or \$25,866,466 of the total fund balance amount constitutes unassigned fund balance that has been set aside for cash flow reserves, future economic uncertainties, and budget reserves in accordance with the updated fund balance policy approved in April 2019.

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 (Fund 431 and Fund 711) that do not qualify to be reported as such. As of June 30, 2019, unassigned fund balance of the General Fund (Fund 100) was \$25,707,250. The total unassigned fund balance has been set aside for cash flow reserves (50%), future economic uncertainties (40%), and budget reserves (10%) in accordance with the updated fund balance policy approved in April 2019. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55.2% of total General Fund (Fund 100) expenditures, including transfers out, of \$46,552,459, while total fund balance represents 55.3% of the same amount.

The total fund balance of the City's General Fund (Fund 100) increased by \$3,764,212, or 17.1%, during the year ended June 30, 2019. This year's increase is primarily attributable to the City's continuing growth of revenues.

Revenues increased in fiscal year 2018/19 from the previous year. General Fund (Fund 100) revenues increased by \$6,894,919, or 15.9%, from fiscal year 2017/18. Certain revenues in the General Fund (Fund 100) increased significantly in fiscal year 2018/19 including:

- Taxes in general increased \$6,271,063 over the previous fiscal year. Specifically, property taxes increased \$310,895 mainly as the result of an increase in assessed property valuations (5.2%). The sales tax category increased \$1,257,121 compared to prior year. Transaction and use tax increased \$1,184,714 due to more vehicle purchases being made by Cathedral City residents. Transient occupancy tax/timeshare developer fees increased \$505,686 from the prior year and cannabis tax increased \$2,714,192 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.
- Licenses and permits increased by \$621,620 from the prior year, which is primarily attributable to increased development within the City. These increases included building/construction permits, engineering permits, TOT permits and cannabis and marijuana licenses.
- Charges for services decreased \$226,962 from the prior year. The primary decrease is attributable to a decrease in developer deposit revenue of \$104,893.

Expenditures, including transfers out, increased by \$3,892,622, or 9.1%, from the previous fiscal year. Most of the net increase is attributable to 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 primary increases were attributed to Public Safety with \$1,995,413 and Public Works with \$445,641.

The other major governmental funds include Developer Fees (Fund 235), Successor Housing Agency (Fund 561), Public Financing Authority (Fund 491), and Areawide Capital Projects (Fund 331).

The **Developer Fees** (Fund 235) special revenue fund does not have an ending Fund Balance. This fund retains development impact fees that are on deposit for future utilization. The primary activities included Bridge Design, Bus Transit improvements, General Plan Update, and Public Art development and Art Education.

The **Successor Housing Agency** (Fund 561) special revenue fund had a total fund balance of \$15,268,387. This amounts to a net decrease in fund balance of \$727,667 during the current year. Revenues decreased \$705,261 to \$-539,600, while expenditures decreased \$73,087 to \$188,067. The net decrease in revenues was primarily due to loss on sale of assets held for disposition. The net decrease in expenditures was due to a decrease in maintenance and operations. The decrease in fund balance is attributed to the loss on sale of assets totaling \$773,778.

The **Public Financing Authority** (Fund 491) debt service fund had a total fund balance of \$39,185,313. This amounts to a net decrease in fund balance of \$1,178,966 during the current year. Revenues decreased \$120,378 to \$9,948,695 while expenditures decreased \$1,830,054 to \$11,507,206. The net decrease in revenues was primarily due to a decrease of \$115,042 in the use of money and property resulting from a decrease in investments held in trust. The decrease in expenditures is related to lower debt service payments in comparison to the prior fiscal year.

The **Areawide Capital Projects** (Fund 331) capital projects fund had a total fund balance of \$2,368,654. This amounts to a net increase in fund balance of \$572,067 during the current year. Revenues decreased \$2,430,742 to \$9,248,772 while expenditures decreased \$7,458,580 to \$8,676,705. The net increase in fund balance was primarily due to achieving a lower backlog in other government funding reimbursements.

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 \$4,749,893 to \$21,930,654 during the fiscal year. Operating revenues increased \$863,132 to \$12,546,710, while operating expenses decreased \$1,307,389 to \$8,675,650. The net increase in revenues was mainly attributable to continuing the 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 decrease in expenditures was primarily attributable to the decreases in vehicle (equipment) costs.

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 2018/19, prepared in the spring of 2017, were based on anticipated outflows of resources at that time. Expenditure estimates were increased \$1,797,665 to \$48,898,849 for the fiscal year ended June 30, 2019. The primary revisions were \$600,000 for increased expenditures associated with developer deposit activity, \$377,300 in public works maintenance, \$295,784 for increased staffing.

Differences between the final amended budget and actual revenues and expenditures are briefly summarized in this section. The local economy has continued to grow, specifically with respect to sales tax, transactions and use tax, cannabis tax and transient occupancy tax.

Actual General Fund (Fund 100) revenues, including transfers in, were \$6,625,067 higher than the final budget for FY 2018/19, or 14.7%, primarily due to most revenues performing better than anticipated. Significant differences between budget and actual revenues are highlighted below.

- Taxes exceed budget estimates by \$4,510,186 as economic conditions and actual receipts were better than projected primarily for sales, use, cannabis and transient occupancy taxes.
- Charges for services exceeded budget estimates by \$723,588 primarily due to increased community development fees, along with police/dispatch and fire/paramedic services.
- Licenses and permits exceeded budget estimates by \$1,137,678 as a result of increased business licenses, cannabis permits, building/construction permits and developer activity.
- Use of money and property exceeded budget estimates by \$688,054 due to (a) increased cash and investment balances, (b) better interest rates on Local Agency Investment Fund (LAIF) investments (2.428% at June 30, 2019 versus .92% at June 30, 2017), and (c) higher than expected rental revenue

CAPITAL ASSETS AND BONDED DEBT ADMINISTRATION

CAPITAL ASSETS

The City’s capital assets for its governmental activities as of June 30, 2019, were \$164,675,734 (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, 2019 and 2018 are summarized in **Table 3** (dollars in thousands).

Table 3

Capital Assets

(dollars in thousands)

| | Primary Government | | Change |
|-----------------------------------|-------------------------|----------------|--------------|
| | Governmental Activities | | |
| | 2019 | 2018 | |
| Land | 28,528 | 28,528 | - |
| Construction in progress | 7,879 | 22,083 | (14,204) |
| Buildings and improvements | 6,862 | 7,688 | (826) |
| Structures and improvements | 1,973 | 2,450 | (477) |
| Vehicles, furniture and equipment | 2,392 | 2,859 | (467) |
| Infrastructure | 117,042 | 95,409 | 21,633 |
| Total | 164,676 | 159,017 | 5,659 |

Major capital asset activity for the year ended June 30, 2019, included the following:

- Current year additions to infrastructure assets for projects completed during the year – \$8,083,408
- Heritage Park (addition to construction in progress) - \$1,632,273
- Date Palm Sidewalk Gaps (addition to construction in progress) - \$516,156
- Ortega Roadway Widening Campus to Date Palm (addition to construction in progress) – \$443,055
- Cove Pavement Improvements (addition to construction in progress) – \$429,548
- HAWK Pedestrian Crosswalks (addition to construction in progress) – \$148,373

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 LIABILITIES

The City had total long-term debt of \$248,355,524 outstanding as of June 30, 2019. Of this amount, \$138,383,345 was capital improvements related (bonds and capital leases), \$105,648,393 was employee related (compensated absences, net pension liability and other postemployment benefits), and \$4,323,786 was risk management related (claims and judgements).

Outstanding long-term debt at June 30, 2019, and 2018, 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 Liabilities
(dollars in thousands)

| | Note Reference | Primary Government Governmental Activities | | Change |
|-------------------------------|------------------|---|----------------|-------------------|
| | | 2019 | 2018 | |
| Lease revenue bonds | III-F.1, III-F.4 | \$ 2,827 | \$ 3,081 | (254) |
| Tax allocation bonds | III-F.2, III-F.4 | 103,446 | 106,231 | (2,785) |
| Limited obligation bonds | III-F.3, III-F.4 | 32,110 | 33,900 | (1,790) |
| Capital leases | III-E.1, III-F.4 | - | 262 | (262) |
| Compensated absences | I-E.13, III-F.4 | 4,092 | 3,911 | 181 |
| Net pension liability | III-F.4, IV-B | 35,003 | 35,969 | (966) |
| Other postemployment benefits | III-F.4, IV-C | 66,554 | 65,700 | 854 |
| Claims and judgments | III-F.4, IV-A | 4,324 | 5,013 | (689) |
| Total | | \$ 248,356 | 254,067 | \$ (5,711) |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The adopted fiscal year 2019/2020 budget for the General Fund (Fund 100) assumed a substantial increase in its revenues from the taxation of the cannabis 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 \$50,684,471, which is an increase of \$2,895,355, or 5.7%, from the final fiscal year 2018/19 budget. However, this is \$690,224 less than the fiscal year 2018/19 actual revenues, which represents a .14% decrease. The increase in budgeted revenues is due to anticipation of receiving additional revenues primarily 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 \$50,673,719 in fiscal year 2019/20 based on the originally adopted budget. This represents an increase of \$3,063,235 from fiscal year 2018/19 actual amounts. Based on the original adopted budget, it is anticipated fund balance reserves will not be used in fiscal year 2019/20. The City continues to remain committed to sustaining General Fund reserves to an appropriate level as outlined in the updated fund balance policy adopted in April 2019.

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BASIC FINANCIAL STATEMENTS



City of Cathedral City, California



City of Cathedral City, California

Statement of Net Position

June 30, 2019

| | Primary Government Governmental Activities |
|--|---|
| Assets | |
| Cash and investments | \$ 63,627,091 |
| Accounts receivable | 9,373,155 |
| Interest receivable | 540,351 |
| Loans receivable | 18,165,082 |
| Inventories | 32,276 |
| Deposits | 2,789,063 |
| Prepays | 14,733 |
| Investments held in trust | 33,679,765 |
| Restricted cash and investments | 5,501,521 |
| Assets held for disposition | 1,501,154 |
| Capital assets: | |
| Not being depreciated | 36,407,622 |
| Being depreciated, net | <u>128,268,112</u> |
| Total Assets | <u>299,899,925</u> |
| Deferred Outflows of Resources | |
| Deferred outflows related to pensions | 10,844,755 |
| Deferred outflows related to OPEB | <u>1,806,000</u> |
| Total Deferred Outflows of Resources | <u>12,650,755</u> |
| Liabilities | |
| Accounts payable | 3,841,141 |
| Interest payable | 2,490,822 |
| Unearned revenue | 2,117,859 |
| Deposits | 653,077 |
| Noncurrent liabilities: | |
| Due within one year: | |
| Bonds and capital leases | 5,241,000 |
| Compensated absences | 2,100,000 |
| Claims and judgements | 1,000,000 |
| Due in more than one year: | |
| Bonds and capital leases | 133,142,345 |
| Compensated absences | 1,991,552 |
| Claims and judgements | 3,323,786 |
| Net pension liability | 35,002,841 |
| Net other postemployment benefits obligation | <u>66,554,000</u> |
| Total Liabilities | <u>257,458,423</u> |
| Deferred Inflows of Resources | |
| Deferred inflows related to pensions | 2,832,730 |
| Deferred inflows related to OPEB | <u>8,711,000</u> |
| Total Deferred Inflows of Resources | <u>11,543,730</u> |
| Net Position | |
| Investment in capital assets | 164,675,734 |
| Restricted for: | |
| Capital projects | 8,672,882 |
| Community development | 9,534,436 |
| Debt service | 39,276,526 |
| Public safety | 1,697,575 |
| Public works | 526,835 |
| Unrestricted | <u>(180,835,461)</u> |
| Total Net Position | <u>\$ 43,548,527</u> |

See accompanying notes to basic financial statements.

Statement of Activities
For the Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General government | \$ 12,914,403 | 8,471,008 | 428,320 | - |
| Community development | 6,416,156 | 1,177,597 | 8,526,250 | 7,370,359 |
| Culture and recreation | 1,124,679 | - | - | 194,771 |
| Public safety | 31,258,572 | 4,067,099 | 1,811,447 | 294,491 |
| Public works | 9,266,487 | 893,903 | 2,646,384 | - |
| Interest on long-term debt | 6,581,344 | - | - | - |
| Total Governmental Activities | 67,561,641 | 14,609,607 | 13,412,401 | 7,859,621 |
| Total Primary Government | \$ 67,561,641 | 14,609,607 | 13,412,401 | 7,859,621 |

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 - beginning

Net Position - Ending

See accompanying notes to basic financial statements.

| Net (Expense) Revenue and Changes in Net Position | |
|--|---|
| Primary | |
| Governmental Activities | Functions/Programs |
| | Primary Government |
| | Governmental activities: |
| (4,015,075) | General government |
| 10,658,050 | Community development |
| (929,908) | Culture and recreation |
| (25,085,535) | Public safety |
| (5,726,200) | Public works |
| (6,581,344) | Interest on long-term debt |
| (31,680,012) | Total Governmental Activities |
| (31,680,012) | Total Primary Government |
| | General Revenues: |
| | Taxes: |
| 4,607,095 | Cannabis/marijuana tax |
| 2,230,585 | Franchise tax |
| 9,127,661 | Property tax |
| 10,411,691 | Sales tax |
| 7,289,396 | Transactions and use tax |
| 4,231,690 | Transient occupancy/timeshare developer |
| 2,692,126 | Utility users tax |
| 3,498,522 | Investment and interest income |
| 371,357 | Other revenue |
| 44,460,123 | Total General Revenues |
| 12,780,111 | Change in net position |
| 30,768,416 | Net Position - beginning |
| \$ 43,548,527 | Net Position - Ending |

Balance Sheet
Governmental Funds
June 30, 2019

| | General | Special Revenue | | Debt Service |
|--|----------------------|------------------|--------------------------|----------------------------|
| | | Developer Fees | Successor Housing Agency | Public Financing Authority |
| Assets | | | | |
| Cash and investments | \$ 21,801,266 | 2,047,417 | 4,262,921 | 4,085 |
| Receivables: | | | | |
| Interest | 330,632 | 10,659 | 22,210 | 21 |
| Accounts | 5,040,812 | - | - | - |
| Loans | 5,943,772 | - | 12,221,310 | - |
| Intergovernmental receivable | 582,376 | - | - | - |
| Prepaid assets | 6,105 | - | - | - |
| Investments held in trust | - | - | - | 33,679,765 |
| Restricted assets: | | | | |
| Cash and investments held with fiscal agent | - | - | - | 5,501,442 |
| Assets held for disposition | - | - | 1,501,154 | - |
| Total Assets | \$ 33,704,963 | 2,058,076 | 18,007,595 | 39,185,313 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,259,031 | 693 | 6,339 | - |
| Deposits from others | 653,077 | - | - | - |
| Unearned revenue | 218,521 | 1,895,424 | - | - |
| Intergovernmental payable | - | - | - | - |
| Total Liabilities | 3,130,629 | 1,896,117 | 6,339 | - |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | 1,236,378 | - | 2,732,869 | - |
| Total Deferred Inflow of Resources | 1,236,378 | - | 2,732,869 | - |
| Fund balances: | | | | |
| Nonspendable | 6,105 | - | - | - |
| Restricted | 2,632,034 | 161,959 | 15,268,387 | 39,185,313 |
| Assigned | 833,351 | - | - | - |
| Unassigned | 25,866,466 | - | - | - |
| Total Fund Balances | 29,337,956 | 161,959 | 15,268,387 | 39,185,313 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 33,704,963 | 2,058,076 | 18,007,595 | 39,185,313 |

See accompanying notes to basic financial statements.

| <u>Capital Projects</u> | | | |
|--------------------------------------|---------------------------|--------------------|--|
| <u>Areawide Capital Projects</u> | <u>Nonmajor Funds</u> | <u>Total</u> | |
| 3,345,120 | 11,483,345 | 42,944,154 | Assets |
| 17,443 | 51,889 | 432,854 | Cash and investments |
| 3,719,695 | 609,952 | 9,370,459 | Receivables: |
| - | - | 18,165,082 | Interest |
| - | - | 582,376 | Accounts |
| 2,749 | 4,423 | 13,277 | Loans |
| - | - | 33,679,765 | Intergovernmental receivable |
| - | 79 | 5,501,521 | Prepaid assets |
| - | - | 1,501,154 | Investments held in trust |
| 7,085,007 | 12,149,688 | 112,190,642 | Restricted assets: |
| | | | Cash and investments held with fiscal agent |
| | | | Assets held for disposition |
| | | | Total Assets |
| | | | Liabilities, Deferred Inflows of Resources, and Fund Balances |
| | | | Liabilities: |
| 1,223,019 | 310,011 | 3,799,093 | Accounts payable |
| - | - | 653,077 | Deposits from others |
| - | - | 2,113,945 | Unearned revenue |
| - | 582,376 | 582,376 | Intergovernmental payable |
| 1,223,019 | 892,387 | 7,148,491 | Total Liabilities |
| | | | Deferred inflows of resources: |
| 3,493,334 | 29,391 | 7,491,972 | Unavailable revenue |
| 3,493,334 | 29,391 | 7,491,972 | Total Deferred Inflow of Resources |
| | | | Fund balances: |
| 2,749 | 4,423 | 13,277 | Nonspendable |
| 2,365,905 | 11,223,487 | 70,837,085 | Restricted |
| - | - | 833,351 | Assigned |
| - | - | 25,866,466 | Unassigned |
| 2,368,654 | 11,227,910 | 97,550,179 | Total Fund Balances |
| 7,085,007 | 12,149,688 | 112,190,642 | Total Liabilities, Deferred Inflows of Resources, and Fund Balances |

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2019

| | |
|---|----------------------|
| Total fund balances - governmental funds | \$ 97,550,179 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| <ul style="list-style-type: none"> Capital assets used in governmental activities, excluding internal service funds of \$2,684,475, are not financial resources, and therefore, are not reported in the funds. | |
| Capital assets, at historical cost | 286,218,827 |
| Accumulated depreciation | (124,227,568) |
| <hr/> | |
| <ul style="list-style-type: none"> Accrued interest payable not included in the funds. | (2,490,822) |
| <hr/> | |
| <ul style="list-style-type: none"> Deferred inflows 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 outflows 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 inflows - unavailable revenues recognized under the accrual method of accounting | 7,491,971 |
| Deferred inflows - changes in assumptions | (790,181) |
| Deferred inflows - differences between actual and expected experience | (171,671) |
| Deferred inflows - differences between the employer's contributions and the employer's proportionate share of contributions | (1,112,798) |
| Deferred inflows - changes in employer's proportion | (758,080) |
| Deferred outflows - contributions subsequent to measurement date | 5,912,128 |
| Deferred outflows - differences between actual and expected experience | 1,192,175 |
| Deferred outflows - changes in assumptions | (4,059,358) |
| Deferred outflows - changes in employer's proportion | 611,670 |
| Deferred outflows - net difference between projected and actual earnings on plan investments | 283,140 |
| <hr/> | |
| <ul style="list-style-type: none"> 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. | 21,930,654 |
| <hr/> | |
| <ul style="list-style-type: none"> 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 \$4,369,748). | |
| Bonds and capital leases | (138,252,980) |
| Bond premium | (130,365) |
| Compensated absences | (4,091,553) |
| Net pension liability | (35,002,841) |
| Other post employment benefits (OPEB) | (66,554,000) |
| <hr/> | |
| Net position of governmental activities | \$ 43,548,527 |

See accompanying notes to basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

| | General | Special Revenue | | Debt Service |
|---|---------------------|-----------------|--------------------------|----------------------------|
| | | Developer Fees | Successor Housing Agency | Public Financing Authority |
| Revenues | | | | |
| Taxes | \$40,590,244 | - | - | - |
| Intergovernmental | 27,284 | - | - | - |
| Licenses and permits | 2,498,178 | - | - | - |
| Fines and forfeitures | 108,317 | - | - | - |
| Charges for services | 5,575,676 | - | - | - |
| Special assessments | 148,401 | - | - | - |
| Development fees | - | 276,696 | - | - |
| Use of money and property | 1,145,369 | 4,127 | (639,723) | 1,889,680 |
| Contributions from other governments | 423,959 | - | - | 8,059,015 |
| Other revenue | 34,058 | - | 100,123 | - |
| Total Revenues | 50,551,486 | 280,823 | (539,600) | 9,948,695 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 11,064,804 | - | - | - |
| Community development | 4,039,515 | 454,655 | 188,067 | 5,100 |
| Culture and recreation | 854,274 | - | - | - |
| Public safety | 28,515,551 | - | - | - |
| Public works | 1,189,164 | - | - | - |
| Capital outlay | 54,366 | 52,110 | - | - |
| Debt service: | | | | |
| Principal | 261,934 | - | - | 5,219,000 |
| Interest | 10,814 | - | - | 6,283,106 |
| Total Expenditures | 45,990,422 | 506,765 | 188,067 | 11,507,206 |
| Excess (deficiency) of revenues over (under) expenditures | 4,561,064 | (225,942) | (727,667) | (1,558,511) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 259,883 | - | 379,545 |
| Transfers out | (943,432) | - | - | - |
| Total Other Financing Sources (Uses) | (943,432) | 259,883 | - | 379,545 |
| Net change in fund balances | 3,617,632 | 33,941 | (727,667) | (1,178,966) |
| Fund balances - beginning | 25,720,324 | 128,018 | 15,996,054 | 40,364,279 |
| Fund Balances - Ending | \$29,337,956 | 161,959 | 15,268,387 | 39,185,313 |

| <u>Capital Projects</u> | | | |
|-------------------------|-------------------|-------------------|---|
| <u>Areawide</u> | | | |
| <u>Capital</u> | <u>Nonmajor</u> | | |
| <u>Projects</u> | <u>Funds</u> | <u>Total</u> | |
| - | - | 40,590,244 | Revenues |
| 8,748,285 | 5,163,277 | 13,938,846 | Taxes |
| - | - | 2,498,178 | Intergovernmental |
| - | 175,642 | 283,959 | Licenses and permits |
| - | 1,440,606 | 7,016,282 | Fines and forfeitures |
| - | 502,456 | 650,857 | Charges for services |
| - | 124,914 | 401,610 | Special assessments |
| 67,335 | 307,752 | 2,774,540 | Development fees |
| - | - | 8,482,974 | Use of money and property |
| 433,152 | 93,296 | 660,629 | Contributions from other governments |
| 9,248,772 | 7,807,943 | 77,298,119 | Other revenue |
| | | | Total Revenues |
| | | | Expenditures |
| | | | Current: |
| - | 407,095 | 11,471,899 | General government |
| - | 1,263,855 | 5,951,192 | Community development |
| - | - | 854,274 | Culture and recreation |
| - | 1,026,151 | 29,541,702 | Public safety |
| - | 3,040,905 | 4,230,069 | Public works |
| 8,676,705 | 3,256,257 | 12,039,438 | Capital outlay |
| | | | Debt service: |
| - | - | 5,480,934 | Principal |
| - | - | 6,293,920 | Interest |
| 8,676,705 | 8,994,263 | 75,863,428 | Total Expenditures |
| | | | Excess (deficiency) of revenues over |
| 572,067 | (1,186,320) | 1,434,691 | (under) expenditures |
| | | | Other Financing Sources (Uses) |
| - | 197,392 | 836,820 | Transfers in |
| - | (48,239) | (991,671) | Transfers out |
| - | 149,153 | (154,851) | Total Other Financing Sources (Uses) |
| 572,067 | (1,037,167) | 1,279,840 | Net change in fund balances |
| 1,796,587 | 12,265,077 | 96,270,339 | Fund balances - beginning |
| 2,368,654 | 11,227,910 | 97,550,179 | Fund Balances - Ending |

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2019**

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | 1,279,840 |
| <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 | 12,045,015 |
| Depreciation expense (excluding internal service) | (6,330,662) |
| <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. | (1,551,409) |
| <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. | |
| Bond principal payments | 5,219,000 |
| Capital lease principal payments | 261,934 |
| Bond premium amortization | 8,106 |
| <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 | (180,045) |
| Accrued interest payable | 100,144 |
| Accreted interest payable | (398,382) |
| <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 | (2,423,324) |
| <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. | 4,749,894 |
| <hr/> | |
| Change in net position of governmental activities | 12,780,111 |

See accompanying notes to basic financial statements.

Statement of Net Position
Proprietary Funds
June 30, 2019

| | Governmental Activities - Internal Service Funds |
|-------------------------------------|---|
| Assets | |
| Current assets: | |
| Cash and investments | \$ 20,682,938 |
| Receivables: | |
| Interest | 107,498 |
| Accounts | 2,696 |
| Deposits with PERMA | 2,789,063 |
| Prepaid assets | 1,456 |
| Inventories | 32,276 |
| Total Current Assets | 23,615,927 |
| Noncurrent assets: | |
| Capital assets: | |
| Vehicles and equipment | 8,797,445 |
| Construction in progress | 490,893 |
| Accumulated depreciation | (6,603,863) |
| Net capital assets | 2,684,475 |
| Total Noncurrent Assets | 2,684,475 |
| Total Assets | 26,300,402 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 42,050 |
| Claims payable | 1,000,000 |
| Unearned revenue | 3,912 |
| Total Current Liabilities | 1,045,962 |
| Noncurrent liabilities: | |
| Claims payable | 3,323,786 |
| Total Noncurrent Liabilities | 3,323,786 |
| Total Liabilities | 4,369,748 |
| Net Position | |
| Investment in capital assets | 2,684,475 |
| Unrestricted | 19,246,179 |
| Total Net Position | \$ 21,930,654 |

See accompanying notes to basic financial statements.

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

| | Governmental Activities - Internal Service Funds |
|---|---|
| <hr/> | |
| Operating Revenues | |
| Charges for services | \$ 12,441,836 |
| Other revenue | 104,874 |
| Total Operating Revenues | <u>12,546,710</u> |
| | |
| Operating Expenses | |
| Insurance claims and expenses | 8,130,675 |
| Depreciation | 544,975 |
| Total Operating Expenses | <u>8,675,650</u> |
| | |
| Operating Income | 3,871,060 |
| | |
| Nonoperating Revenues (Expenses) | |
| Interest and investment income | 723,982 |
| Total Nonoperating Revenues | <u>723,982</u> |
| | |
| Income before transfers | 4,595,042 |
| | |
| Transfers in | <u>154,851</u> |
| | |
| Change in net position | 4,749,893 |
| | |
| Total net position - beginning | <u>17,180,761</u> |
| Total Net Position - Ending | <u>\$ 21,930,654</u> |

See accompanying notes to basic financial statements.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

| | Governmental Activities - Internal Service Funds |
|---|---|
| Cash Flows From Operating Activities | |
| Receipts from customers and user departments | \$ 12,199,079 |
| Payments to suppliers for goods and services | (8,815,170) |
| Net Cash Provided by Operating Activities | 3,383,909 |
| Cash Flows From Noncapital Financing Activities | |
| Transfers in | 154,851 |
| Net Cash Provided by Noncapital Financing Activities | 154,851 |
| Cash Flows From Capital and Related Financing Activities | |
| Capital asset acquisitions | (489,606) |
| Net Cash (Used) by Capital and Related Financing Activities | (489,606) |
| Cash Flows From Investing Activities | |
| Interest received | 691,201 |
| Net Cash Provided by Investing Activities | 691,201 |
| Net increase in cash and cash equivalents | 3,740,355 |
| Cash and cash equivalents - beginning | 16,942,583 |
| Cash and Cash Equivalents - Ending | \$ 20,682,938 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income | \$ 3,871,060 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 544,975 |
| Accounts receivable | 107,610 |
| Deposits with PERMA | (452,203) |
| Prepaid assets | 113,120 |
| Inventories | (1,409) |
| Accounts payable | (107,468) |
| Unearned revenue | (3,039) |
| Claims payable | (688,737) |
| Net Cash Provided by Operating Activities | \$ 3,383,909 |

See accompanying notes to basic financial statements.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

| | Private-Purpose Trust Funds | Agency Funds |
|---|---|-------------------------|
| | Successor Agency Trust Funds | |
| Assets | | |
| Cash and investments | \$ 11,419,921 | 4,526,938 |
| Receivables: | | |
| Interest | 66,075 | 32,593 |
| Special assessments | - | 257,484 |
| Prepaid assets | 556,950 | - |
| Restricted assets: | | |
| Held with Successor Agency | 1,006,647 | - |
| Cash and investments held with fiscal agent | 2,886 | 890,976 |
| Total Assets | 13,052,479 | 5,707,991 |
| Liabilities | | |
| Accounts payable | 100,271 | 1,952 |
| Accrued interest | 1,229,509 | - |
| Due to bondholders | - | 5,706,039 |
| Long-term liabilities: | | |
| Bonds & notes payable- one year | 3,455,000 | - |
| Bonds & notes payable- more than one year | 79,018,548 | - |
| Total Liabilities | 83,803,328 | 5,707,991 |
| Net Position | | |
| Held in trust for other purposes | (70,750,849) | |
| Total Net Position | \$ (70,750,849) | |

See accompanying notes to basic financial statements.

Statement of Changes in Fiduciary Net Position For the Year Ended June 30, 2019

| | Private-Purpose Trust Funds Successor Agency Trust Funds |
|---------------------------------------|---|
| Additions | |
| Taxes | \$ 14,734,339 |
| Use of money and property | 153,964 |
| Total revenues | 14,888,303 |
| Total Additions | 14,888,303 |
| Deductions | |
| Administrative expenses | 37,631 |
| Contractual services | 341,015 |
| Interest expense | 3,807,593 |
| Contributions to other governments | 8,482,975 |
| Total Deductions | 12,669,214 |
| Change in net position | 2,219,089 |
| Net Position - beginning of the year | (72,969,938) |
| Net Position - End of the Year | \$ (70,750,849) |

See accompanying notes to basic financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY.

CONTENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 45 Note A – Reporting Entity
- 46 Note B – Government-Wide and Fund Financial Statements
- 46 Note C – Measurement Focus, Basis of Accounting, and Statement Presentation
- 48 Note D – Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Fund Balances
- 53 Note E – Implementation of New Accounting Principles
- 53 Note F – New Accounting Principles Yet to Be Implemented

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- 54 Note A – Deficit Fund Equity
- 54 Note B – Excess of Expenditures Over Appropriations

III. DETAILED NOTES FOR ALL FUNDS

- 54 Note A – Deposits and Investments
- 60 Note B – Receivables
- 60 Note C – Transfers
- 62 Note D – Capital Assets
- 63 Note E – Lease Obligations
- 64 Note F – Long-Term Debt
- 66 Note G – Fund Balances
- 68 Note H – Successor Agency Trust Funds for Assets of Former Redevelopment Agency

IV. OTHER NOTE DISCLOSURES

- 72 Note A – Risk Management
- 73 Note B – Pension Plan
- 77 Note C – Other Postemployment Benefits
- 81 Note D – Tax Abatement Programs
- 82 Note E – Jointly Governed Organizations
- 82 Note F – Contingencies

THIS PAGE LEFT BLANK INTENTIONALLY.

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), and general city 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 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.

After enactment of the law occurred on June 28, 2011, redevelopment agencies in the State of California were not able to enter into new projects, obligations or commitments. Remaining assets could 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 are only 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 are 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 also 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 the non-fiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double-counting of internal activities but interfund services provided and used are not eliminated in the process of consolidation. 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 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 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 90 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: 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 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 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 earned and expenses are recognized when the related goods or services are delivered. Agency funds have no measurement focus; however, they do utilize the accrual basis of accounting for reporting 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 reported at cost because they are not transferable and they have terms 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; however, it does fall 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 or less at the time of purchase), highly-liquid investments 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 90 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.** As part of the City's 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 became the 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 Districts 96-1, 2001-01, 2003-1, 2004-1 and 2004-2, and CFD 2000-1 Rio Vista 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 individual 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 do not add to the value of the asset or materially extend the asset's life. As a result, they 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 full-time 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 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 applicable to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items qualifying to be reported 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 applicable to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government has two items qualifying to be reported 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) (6.5 years at July 1, 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. 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 with 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 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 90 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, 2018 |
| Measurement Period | July 1, 2017 to June 30, 2018 |

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. 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 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 arising 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 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.

NOTE F –NEW ACCOUNTING PRINCIPLES YET TO BE IMPLEMENTED

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. 89 – In May 2018, the GASB issued Statement No. 89, *Interest Cost Incurred before the End of a Construction Period*. 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. This statement changes the accounting requirements for interest cost incurred before the end of a construction period, including such interest cost previously accounted for in accordance with GASB 62. This results in the interest cost incurred before the end of a construction period to be recognized as an expense and not be included in the historical cost of the capital asset.

GASB Statement No. 89 is effective for the reporting periods beginning after December 31, 2019.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE A – DEFICIT FUND EQUITY

The following deficit fund balances were reported at June 30, 2019:

Nonmajor special revenue fund:

| | |
|-----------------------------------|-----------|
| State Gas Tax | \$385,308 |
| Measure A | 39,035 |
| Community Development Block Grant | 442 |

NOTE B – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2019, 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 \$701,797. The balance reported in the June 30, 2019 financial statements was (\$1,255,160).

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 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, 2019, 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 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, 2019

| | 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, 2019

| | 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, 2019, the City’s investment balances were as shown in **Table 3** below.

Table 3

Investment Balances

June 30, 2019

| | Fair Value |
|--|------------------------------|
| Investments governed by CA Government Code/City investment policy: | |
| Local Agency Investment Fund (LAIF) | \$ 53,489,143 |
| Certificates of deposit | 5,765,523 |
| Federal agency securities | 5,014,184 |
| Medium-term notes | 14,511,267 |
| Money market mutual funds | <u>2,975,868</u> |
| Total investments governed by CA Government Code/City investment policy | 81,755,985 |
| Investments governed by debt agreements: | |
| Local Agency Investment Fund (LAIF) | - |
| Money market mutual funds | 6,395,383 |
| Local agency bonds | <u>33,679,765</u> |
| Total investments governed by debt agreements | 40,075,148 |
| Total investments | <u>\$ 121,831,133</u> |

THIS SPACE LEFT BLANK INTENTIONALLY.

A reconciliation of cash and investments as shown in the basic financial statements as of June 30, 2019, is shown in **Table 4** below.

Table 4

Reconciliation of Cash and Investments

June 30, 2019

| | Primary Government |
|--------------------------------------|-------------------------------|
| Governmental activities: | |
| Cash on hand | \$3,050 |
| Other cash – Playa del Sol | 76,722 |
| Deposits with financial institutions | (1,255,160) |
| Restricted cash and investments | 5,501,521 |
| Investments | <u>64,802,479</u> |
| Subtotal – cash and investments | 69,128,612 |
| Investments held in trust | 33,679,765 |
| Total governmental activities | 102,808,377 |
| Fiduciary: | |
| Private-Purpose Trust Funds: | |
| Investments | 11,419,921 |
| Restricted cash and investments | 1,009,533 |
| Agency Funds: | |
| Investments | 4,526,938 |
| Restricted cash and investments | <u>890,976</u> |
| Total fiduciary | 17,847,368 |
| Total cash and investments | <u>120,655,745</u> |

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 the entity is able 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, 2019.

Table 5

| Investment Type | Total | Level 1 | Level 2 | Level 3 |
|-------------------------------------|-----------------------|----------|--------------------|----------|
| Local Agency Investment Fund (LAIF) | \$ 53,489,143 | - | 53,489,143 | - |
| Certificates of deposit | 5,765,523 | - | 5,765,523 | - |
| Federal agency securities | 5,014,184 | - | 5,014,184 | - |
| Medium-term notes | 14,511,267 | - | 14,511,267 | - |
| Money market mutual funds | 9,371,251 | - | 9,371,251 | - |
| Local agency bonds | 33,679,765 | - | 33,679,765 | - |
| Total | \$ 121,831,133 | - | 121,831,133 | - |

- 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, 2019, the total amount invested by all public agencies in LAIF is \$24.6 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2019 had an investment portfolio balance of \$105.7 billion. Of that amount, 1.77% is invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments is 173 days as of June 30, 2019.

- 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 the City manages its exposure to interest rate risk is by purchasing a combination of short-term and long-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) | \$53,489,143 | 53,489,143 | - | - | - |
| Certificates of deposit | 5,765,523 | - | 2,001,675 | 3,763,848 | - |
| Federal agency securities | 5,014,184 | - | 999,250 | 4,014,934 | - |
| Medium-term notes | 14,511,267 | 3,498,912 | 6,008,898 | 5,003,457 | - |
| Money market mutual funds | 9,371,251 | 9,371,251 | - | - | - |
| Local agency bonds | 33,679,765 | 1,550,160 | 1,625,037 | 5,453,190 | 25,051,378 |
| Total | \$ 121,831,133 | 67,909,466 | 10,634,860 | 18,235,429 | 25,051,378 |

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, 2019 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 | \$ - | - | - | - | 9,371,251 | - | 9,371,251 |
| AA+ | Aaa | - | - | 5,014,184 | - | - | - | 5,014,184 |
| A+ | Aa2 | - | - | - | 993,668 | - | - | 993,668 |
| AA | Aa2 | - | - | - | 1,002,770 | - | - | 1,002,770 |
| AA- | A1 | - | - | - | 501,284 | - | - | 501,284 |
| A | A1 | - | - | - | 998,900 | - | - | 998,900 |
| A+ | A2 | - | - | - | - | - | - | - |
| A | A2 | - | - | - | 4,003,112 | - | - | 4,003,112 |
| A- | A2 | - | - | - | 7,011,533 | - | - | 7,011,533 |
| A- | A3 | - | - | - | - | - | - | - |
| NR | NR | <u>53,489,143</u> | <u>5,765,523</u> | <u>5,014,184</u> | <u>-</u> | <u>-</u> | <u>33,679,765</u> | <u>92,934,431</u> |
| Total | | <u>\$53,489,143</u> | <u>5,765,523</u> | <u>5,014,184</u> | <u>14,511,267</u> | <u>9,371,251</u> | <u>33,679,765</u> | <u>121,831,133</u> |

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 in the possession of another party. As of June 30, 2019, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. The City's investments were held with independent third-party custodian banks. The City uses Mutual Securities, Inc., Union Bank N.A., and Wells Fargo Securities as third-party custody and safekeeping services for its investment securities. Custodial credit risk is the risk 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.

NOTE B – RECEIVABLES

1. **Loans Receivable.** The City's outstanding loans receivable as of June 30, 2019 are summarized in **Table 8** below.

Table 8

Loans Receivable
June 30, 2019

| 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 | \$ 2,537,046 |
| Cathedral City Heritage Park, L.P. | 12/01/02 | 2,700,000 | 30 years ² | 5.00% | Annual ³ | 4,678,310 |
| 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 | 4,751,782 |
| Terracina Cathedral City Apartments, L.P. | 12/01/10 | 50,000 | 55 years ² | 3.00% | Annual ³ | 56,690 |
| 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 | 2,725 |
| Dandt's Custom Picture Framing | 8/30/2019 | 5,000 | 5 years | 3.00% | Annual ⁷ | 4,000 |
| Coachella Valley Repertory | | | | | | 900,000 |
| CURC | | | | | | 2,500,000 |
| Total | | | | | | \$ 18,165,082 |

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 providing 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. **Interfund Receivable/Payables.** Interfund receivable and payable balances are summarized in **Table 9** below.

Table 9

| | Due from Other Funds | Due to Other Funds |
|-----------------------------|-------------------------|-----------------------|
| Governmental Funds: | | |
| General Fund | 582,376 | - |
| Nonmajor Governmental Funds | - | 582,376 |
| | <u>582,376</u> | <u>582,376</u> |

2. **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 Out | | |
|----------------------------|----------------------|---------------------|------------------|
| | General | Nonmajor | |
| Transfers In | Fund | Governmental | Total |
| Public Financing Authority | 379,545 | - | 379,545 |
| Developer Fees | 259,883 | - | 259,883 |
| Nonmajor Governmental | 197,392 | - | 197,392 |
| Internal Service: | | | |
| Equipment Fund | 106,612 | 48,239 | 154,851 |
| Total | \$943,432 | \$48,239 | \$991,671 |

During the year ended June 30, 2019, 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 \$379,545 from the General Fund (Big League Dreams fund) to the Public Financing Authority debt service fund.
- Transfer of \$259,883 to the Developer Fees fund for the general plan update.
- Maintenance cost contribution of \$197,382 from the General Fund to the Landscape and Lighting District special revenue fund (nonmajor governmental fund).
- Transfer of \$106,612 to Equipment Replacement fund for equipment purchases.
- Transfer of grant funds of \$48,239 from the Police Grants fund to the Equipment Replacement fund for Equipment purchases.

THIS SPACE LEFT BLANK INTENTIONALLY.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, is shown in **Table 11** and **Table 12** below.

1. Governmental Activities.

Table 11

Governmental Activities
For the Year Ended June 30, 2019

| | July 1 | Additions | Deletions | June 30 |
|--|-----------------------|--------------------|---------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 28,528,210 | - | - | 28,528,210 |
| Construction in progress | <u>22,083,022</u> | <u>12,192,508</u> | <u>(26,396,118)</u> | <u>7,879,412</u> |
| Total capital assets not being depreciated | 50,611,232 | 12,192,508 | (26,396,118) | 36,407,622 |
| 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 | 15,373,763 | 342,114 | (135,266) | 15,580,611 |
| Infrastructure | 184,896,262 | 26,396,118 | - | 211,292,380 |
| Intangibles | <u>406,817</u> | <u>-</u> | <u>-</u> | <u>406,817</u> |
| Total capital assets being depreciated | 232,496,578 | 26,738,232 | (135,266) | 259,099,544 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (15,189,99) | (826,170) | - | (16,016,164) |
| Structures and improvements | (6,492,005) | (477,143) | - | (6,969,148) |
| Vehicles, furniture and equipment | (12,514,713) | (809,298) | 135,266 | (13,188,745) |
| Infrastructure | (89,487,533) | (4,763,025) | - | (94,250,558) |
| Intangibles | <u>(406,817)</u> | <u>-</u> | <u>-</u> | <u>(406,817)</u> |
| Total accumulated depreciation | (124,091,062) | (6,875,636) | 135,266 | (130,831,432) |
| Total capital assets being depreciated, net | 108,405,516 | 19,862,596 | - | 128,268,112 |
| Governmental Activities Capital Assets, net | \$ 159,016,748 | 32,055,104 | (26,396,118) | 164,675,734 |

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

Table 12

| | |
|---|---------------------|
| General government | \$ 512,588 |
| Community development | 470,540 |
| Culture and recreation | 270,405 |
| Public safety | 296,387 |
| Public works, including depreciation of infrastructure assets | 4,780,741 |
| Capital assets held by internal service funds | <u>544,975</u> |
| Total | \$ 6,875,636 |

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, 2019, as shown in **Table 13** below.

Table 13

| Project | Project No. | Remaining Commitments |
|-----------------------------------|-------------|----------------------------|
| Enterprise Resource Planning | 3572 | \$ 203,896 |
| DaVall/ I-10 Interchange | 1010 | 622,622 |
| Date Palm Drive/ I-10 Interchange | 8724 | 765,847 |
| Ramon Road Bridge | 2500 | 1,551,263 |
| Heritage Park | 7019 | <u>1,974,852</u> |
| Total | | <u>\$ 5,118,480</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. The following capital leases listed below were paid off as of June 30, 2019:

- Motorola
- Dell Financial Services

The related net book values of plant and equipment under capital lease obligations as of June 30, 2019, are summarized in **Table 14** below.

Table 14

| Governmental Activities | |
|-----------------------------------|--------------------------|
| Vehicles, furniture and equipment | \$ 2,151,511 |
| Less accumulated depreciation | <u>(2,033,989)</u> |
| Net book value | <u>\$ 117,522</u> |

2. **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, 2019, were approximately \$63,830 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 LIABILITIES

1. **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, 2019, are summarized in **Table 15** below.

Table 15

| 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 | - | - | \$ 2,827,000 |
| Total | | | | | | | \$ 2,827,000 |

Lease revenue bonds’ debt service requirements to maturity are summarized in **Table 16** below.

Table 16

| Year | Governmental Activities | |
|--------------|---------------------------|-----------------------|
| | Principal | Interest |
| 2020 | 266,000 | 114,495 |
| 2021 | 277,000 | 102,956 |
| 2022 | 287,000 | 90,971 |
| 2023 | 300,000 | 78,498 |
| 2024 | 312,000 | 65,493 |
| 2025 – 2028 | <u>1,385,000</u> | <u>121,103</u> |
| Total | <u>\$2,827,000</u> | <u>573,516</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 \$379,545.

2. **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, 2019, are summarized in **Table 17** below.

Table 17

| 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 | \$897,141 | \$ 32,110,000 |
| Total | | | | | | | \$ 32,110,000 |

Limited obligation bonds' debt service requirements to maturity are summarized in **Table 18** below.

Table 18

| Year | Governmental Activities | |
|--------------|-------------------------|-------------------|
| | Principal | Interest |
| 2020 | \$ 1,645,000 | 1,207,408 |
| 2021 | 1,705,000 | 1,144,433 |
| 2022 | 1,770,000 | 1,079,155 |
| 2023 | 1,845,000 | 1,011,200 |
| 2024 | 1,900,000 | 940,743 |
| 2025 – 2029 | 9,595,000 | 3,586,061 |
| 2030 – 2034 | 9,855,000 | 1,747,292 |
| 2035 – 2036 | 3,795,000 | 137,408 |
| Total | \$ 32,110,000 | 10,853,697 |

- Tax Allocation Bonds.** See **Note III-H** – Successor Agency Trust Funds for Assets of Former Redevelopment Agency.
- Changes in Long-Term Liabilities.** Long-term liability activity for the year ended June 30, 2019, is summarized in **Table 19** below.

Table 19

| Governmental Activities | July 1 | Additions | Deletions | June 30 | Due within one year |
|--|--------------------|------------------|---------------------|--------------------|---------------------|
| Bonds: | | | | | |
| Lease revenue | 3,081,000 | - | (254,000) | 2,827,000 | 266,000 |
| Tax allocation | 101,861,000 | - | (3,175,000) | 98,686,000 | 3,330,000 |
| Limited obligation | 33,900,000 | - | (1,790,000) | 32,110,000 | 1,645,000 |
| Unamortized bond premium | 138,471 | - | (8,106) | 130,365 | - |
| Accreted interest | 4,231,598 | 398,382 | - | 4,629,980 | - |
| Total bonds | 143,212,069 | 398,382 | (5,227,106) | 138,383,345 | 5,241,000 |
| Capital lease obligations | 261,934 | - | (261,934) | - | - |
| Total bonds and capital lease obligations | 143,474,003 | 398,382 | (5,489,040) | 138,383,345 | 5,241,000 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 3,911,508 | 2,701,009 | (2,520,964) | 4,091,552 | 2,100,000 |
| Net pension liability | 35,969,049 | 3,603,599 | (4,569,807) | 35,002,841 | - |
| Other postemployment benefits | 65,700,000 | 2,270,152 | (1,416,152) | 66,554,000 | - |
| Claims and judgments | 5,012,523 | 700,524 | (1,389,261) | 4,323,786 | 1,000,000 |
| Total other long-term liabilities | 110,593,080 | 9,275,524 | (9,896,184) | 109,972,179 | 3,100,000 |
| Total Governmental Activities | 254,067,083 | 9,673,666 | (15,385,224) | 248,355,524 | 8,341,000 |

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 20** summarizes the outstanding balance of each of these issues as of June 30, 2019.

Table 20

| Bonds | Issue Year | Maturity Year | Outstanding Balance |
|---|---------------|------------------|----------------------------|
| Assessment District No. 2001-01 Limited Obligation Improvement Bonds | 2001 | 2026 | \$1,490,000 |
| Community Facilities District No. 2000-1 Special Tax Bonds | 2001 | 2030 | 9,665,000 |
| Assessment District 96-1 (Rio Vista), Series 2004, Limited Obligation Refunding Improvement Bonds | 2004 | 2026 | 2,359,765 |
| 35 th Avenue Assessment District No. 2003-01 Limited Obligation Improvement Bonds | 2004 | 2034 | 4,360,000 |
| Dream Homes Assessment District No. 2004-01 Limited Obligation Improvement Bonds | 2004 | 2034 | 4,085,000 |
| Cove Improvement District No. 2004-02 Limited Obligation Improvement Bonds | 2005 | 2035 | <u>21,385,000</u> |
| Total | | | <u>\$43,344,765</u> |

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, 2019.

7. Compensated Absences. The City has vacation, sick and paid time off leave policies covering full-time employees. Regular status City employees earn sick leave based upon their respective MOU. 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.

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 using 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 21** below.

Table 21

| | General | Developer Fees | Successor Housing Agency | Public Financing Authority | Areawide Capital Projects | Nonmajor Funds | Total |
|--------------------------------|----------------------|----------------|--------------------------|----------------------------|---------------------------|-------------------|-------------------|
| Nonspendable: | | | | | | | |
| Prepaid assets | \$ 6,105 | - | - | - | 2,749 | 4,423 | 13,277 |
| Restricted: | | | | | | | |
| Capital projects | - | - | - | - | 2,365,905 | 2,813,643 | 5,179,548 |
| Commercial building operations | 50,000 | - | - | - | - | - | 50,000 |
| Community development | - | 161,959 | - | - | - | 6,621,525 | 6,783,928 |
| Debt service | 2,582,034 | - | - | 39,185,313 | - | - | 41,767,347 |
| Low-mod income housing | - | - | 15,268,387 | - | - | - | 15,268,387 |
| Public safety | - | - | - | - | - | 1,685,827 | 1,685,827 |
| Public works | - | - | - | - | - | 102,492 | 102,492 |
| Total Restricted | 2,632,034 | 161,959 | 15,268,387 | 39,185,313 | 2,365,905 | 11,223,487 | 70,837,085 |
| Assigned: | | | | | | | |
| Capital projects | - | - | - | - | - | - | - |
| Commercial building operations | 31,497 | - | - | - | - | - | 31,497 |
| Debt service | 801,354 | - | - | - | - | - | 801,354 |
| Subsequent year's expenditures | - | - | - | - | - | - | - |
| Total Assigned | 833,351 | - | - | - | - | - | 833,351 |
| Unassigned: | | | | | | | |
| Budget reserves | 2,586,647 | - | - | - | - | - | 2,586,647 |
| Cash flow reserves | 12,933,233 | - | - | - | - | - | 12,933,233 |
| Economic uncertainties | 10,346,586 | - | - | - | - | - | 10,346,586 |
| Unassigned | - | - | - | - | - | - | - |
| Total Unassigned | 25,866,466 | - | - | - | - | - | 25,866,466 |
| Total Fund Balances | \$ 29,337,956 | 161,959 | 15,268,387 | 39,185,313 | 2,368,654 | 11,227,910 | 97,550,179 |

- 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 \$13,277, which are 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 \$70,837,085 in total restricted fund balance. Restrictions include:

- \$41,767,347 – restricted for debt service repayment based on bond indentures and loan agreements.
- \$15,268,387 – 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.
- \$6,783,928 – restricted for community development activities as these monies are received from developers and grant agreements and must be used for specific purposes.
- \$5,179,548 – restricted for capital projects based on grant agreements, bond indentures, and other external parties.
- \$1,685,827 – restricted for public safety activities as these monies are received from grant agreements, developers, and donations and must be used for specific purposes.
- \$102,492 – restricted for public works improvements as these monies are received from State and County allocations and local district assessments with restrictions on their use.
- \$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.

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 \$833,351 in total assigned fund balance. Of this total, assignments have been made for subsequent year's expenditures related to future debt service related to Big League Dreams lease revenue bonds (\$801,854), and funds in excess of the minimum working capital balance related to the commercial building owned by the City (\$31,497).

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 General Fund (as reported) had amounts set aside for cash flow reserves (\$12,933,233) and future economic uncertainties (\$10,346,586), and budget reserves (\$2,586,647) in accordance with the updated fund balance policy (Resolution 2014-37, September 10, 2014).

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 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 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 subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies are only 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.

THIS SPACE LEFT BLANK INTENTIONALLY.

1. **Cash and Investments.** Cash and investments reported in the accompanying financial statements as of June 30, 2019, are summarized in **Table 22** below.

Table 22

| | Successor Agency Trust Funds |
|---------------------------------------|---|
| Cash and investments pooled with City | \$ 11,419,921 |
| Restricted cash and investments | 1,009,533 |
| Total Cash and Investments | \$ 12,429,454 |

2. **Long-Term Debt.** Long-term debt reported in the accompanying financial statements as of June 30, 2019, is summarized in **Table 23** below.

Table 23

| | 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 | \$ 15,983,871 |
| 2014A Tax Allocation Refunding Bonds | 09/15/14 | 46,140,000 | 2.00% - 5.00% | 08/01/34 | 37,235,000 |
| 2014B Tax Allocation Refunding Bonds | 09/15/14 | 15,630,000 | 2.00% - 5.00% | 08/01/33 | 13,255,000 |
| 2014C Tax Allocation Refunding Bonds | 09/15/14 | 11,985,000 | 0.70% - 4.75% | 08/01/33 | 9,955,000 |
| Total | | | | | \$ 76,428,871 |

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 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 were 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 \$84,584,161, payable through August 2034. For the current year, principal and interest paid and total property tax revenues were \$6,325,898 and \$14,734,339, respectively.

THIS SPACE LEFT BLANK INTENTIONALLY.

The 2014 Tax Allocation Refunding Bonds' debt service requirements to maturity are summarized in **Table 24** below.

Table 24

| Year | Governmental Activities | |
|--------------|-------------------------|-------------------|
| | Principal ¹ | Interest |
| 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 | 3,200,000 | 2,168,718 |
| 2025 – 2029 | 18,460,000 | 8,294,294 |
| 2030 – 2034 | 22,140,000 | 3,186,556 |
| 2035 | 1,845,000 | 46,125 |
| Total | \$ 60,445,000 | 24,139,161 |

¹ Does not include unamortized premiums of \$6,181,392 and unamortized discounts of \$136,715.

3. 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, 2019, are summarized in **Table 25** below.

Table 25

| 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 | 6,080,000 |
| 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 | 35,960,000 |
| 2007 TAB, Series C | 03/09/07 | 31,860,000 | 4.00% - 5.00% | 08/01/35 | 2,148,925 | 2,207,259 | 24,685,000 |
| Total | | | | | | | \$ 98,686,000 |

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 were set aside to fund the reserve.

Tax allocation bonds' debt service requirements to maturity are summarized in **Table 26** below.

Table 26

| Year | Governmental Activities | |
|--------------|-------------------------|-----------------------|
| | Principal ¹ | Interest ² |
| 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 | 4,356,093 | 4,758,586 |
| 2025 – 2029 | 25,030,309 | 20,475,735 |
| 2030 – 2034 | 33,649,598 | 13,211,718 |
| 2035 – 2036 | 21,260,000 | 1,026,900 |
| Total | \$ 98,686,000 | 57,656,741 |

¹ Does not include unamortized premiums of \$130,365.

² Does not include accreted interest of \$4,629,980.

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, 2019 totaled \$8,060,248.

4. Changes in Long-Term Liabilities. Long-term liability activity for the year ended June 30, 2019, is summarized in **Table 27** below.

Table 27

| | July 1 | Additions | Deletions | June 30 | Due within one year |
|-------------------------------------|----------------------|------------------|--------------------|-------------------|---------------------|
| Notes payable | 14,731,840 | 1,252,140 | (109) | 15,983,871 | - |
| 2014 Tax Allocation Refunding Bonds | 63,745,000 | - | (3,300,000) | 60,445,000 | 3,455,000 |
| Unamortized bond premium | 6,598,984 | - | (417,592) | 6,181,392 | - |
| Unamortized bond discount | (146,423) | - | 9,708 | (136,715) | - |
| Total | \$ 84,929,401 | 1,252,140 | (3,707,993) | 82,473,548 | 3,455,000 |

5. 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 becomes 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. The final lease payment was made in August 2018.
- 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, 2019, 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.

- 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 \$4,323,786 at June 30, 2019. 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 28** below.

Table 28

| Year | Beginning Balance | Claims Incurred/ Changes in Estimates | Claims Payments | Ending Balance |
|-------------|--------------------------|--|------------------------|-----------------------|
| 2017-18 | 3,356,773 | 2,525,903 | (870,153) | 5,012,523 |
| 2018-19 | 5,012,523 | 144,487 | (833,224) | 4,323,786 |

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 with 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, 2019, are summarized in **Tables 29** through **31** as follows:

Table 29

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% | | 12% |
| Required Employer Contribution Rates | 18.677% | | 12.141% |
| Required Employer Unfunded Accrued Liability Rates | 15.516% | | 1.147% |
| Total Required Employer Contribution Rates | 34.193% | | 13.288% |

* Closed to new entrants.

Table 30

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 | 18.677% | 12.848% | 10.020% |
| Required Employer Unfunded Accrued Liability Rates | 11.809% | 1.376% | 0.973% |
| Total Required Employer Contribution Rates | 30.486% | 14.224% | 10.993% |

* Closed to new entrants.

Table 31

Plan Provisions – Miscellaneous Pool

| | 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 | 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 Normal Cost Rates | 9.392% | 7.634% | 6.842% |
| Required Employer Unfunded Accrued Liability Rates | 10.191% | 0.734% | 0.882% |
| Total Required Employer Contribution Rates | 19.583% | 8.368% | 7.724% |

* 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, 2019 were \$4,106,128.

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 \$35,002,841.

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 is summarized in **Table 32**.

Table 32

| | Proportion June 30, 2017 | Proportion June 30, 2018 | Change - Increase/ (Decrease) |
|---------------|-----------------------------|-----------------------------|-------------------------------------|
| Safety | 0.404998% | 0.405249% | 0.000251% |
| Miscellaneous | 0.298565% | 0.297837% | (0.000728%) |

For the year ended June 30, 2019, the City recognized pension expense of \$5,506,127 for the plan. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the sources identified in **Table 33** below.

Table 33

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 4,106,128 | - |
| Differences between actual and expected experience | 1,192,175 | (171,671) |
| Changes in assumptions | 4,651,642 | (790,181) |
| Differences between the employer's contributions and the employer's proportionate share of contributions | - | (1,112,798) |
| Changes in employer's proportion | 611,670 | (758,080) |
| Net difference between projected and actual earnings on plan investments | 283,140 | - |
| Total | \$ 10,844,755 | (2,832,730) |

\$4,106,128 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 34**.

Table 34

| Measurement Period Ended 30-Jun | Deferred Outflows/(Inflows) of Resources |
|---------------------------------------|--|
| 2019 | \$3,623,953 |
| 2020 | 1,921,794 |
| 2021 | (1,299,214) |
| 2022 | (340,636) |
| Thereafter | - |
| | \$3,905,897 |

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and June 30, 2018 total pension liabilities were based on the actuarial methods and assumptions summarized in **Table 35** below.

Table 35

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, 2017 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).

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 utilized 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 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 36 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, 2018.

Table 36

| Asset Class | New Strategic Allocation | Real Return Years 1- 10 ^(a) | Real Return Years 11+ ^(b) |
|---------------------|--------------------------|--|--------------------------------------|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Sensitive | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| 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 37 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate.

Table 37

| | 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: | \$ 59,622,478 | 35,002,841 | 14,783,088 |

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, 2018, 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).

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 ranging 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 June 30, 2018, the City's cash contributions were \$1,640,000 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 38

| | |
|-----------------------------|-----|
| Active | 165 |
| Retirees receiving benefits | 102 |

4. **Total OPEB Liability.** The City's Total OPEB liability as of June 30, 2018 was determined by an actuarial valuation dated January 1, 2018 that was rolled forward to determine the June 30, 2018 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 39** below.

Table 39

Actuarial Methods and Assumptions – OPEB

| | |
|----------------------------|--|
| Actuarial valuation date | January 1, 2017 |
| Contribution Policy | No pre-funding |
| Discount Rate | 3.87% at June 30, 2018 (Bond Buyer 20-bond Index) 3.58% at June 30, 2017 (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, 2019, the City recognized OPEB expense of \$3,862,000. As of fiscal year ended June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

Table 40

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date | \$ 1,806,000 | - |
| Changes in assumptions | - | (8,711,000) |
| Total | <u>\$ 1,806,000</u> | <u>(8,711,000)</u> |

The \$1,806,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2019.

Table 41

| Measurement Period Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|--|--|
| 2020 | \$ (1,785,000) |
| 2021 | (1,785,000) |
| 2022 | (1,785,000) |
| 2023 | (1,785,000) |
| 2024 | (1,328,000) |
| Thereafter | (243,000) |
| Total | (8,711,000) |

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.

THIS SPACE LEFT BLANK INTENTIONALLY.

Change in Assumptions

The discount rate used to measure the total OPEB liability was 3.87 percent.

Changes in the OPEB Liability

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

Table 42

| | Increase (Decrease) |
|--|----------------------------|
| | Total OPEB |
| | Liability/(Assets) |
| Balance at June 30, 2018 (Measurement Period) | \$ 65,700,000 |
| Changes recognized over the measurement period: | |
| Service Cost | 3,209,000 |
| Interest | 2,438,000 |
| Assumption Changes | (3,153,000) |
| Benefit Payments* | (1,640,000) |
| Net Changes | <u>854,000</u> |
| Balance at June 30, 2019 (Measurement date 06/30/18) | \$ 66,554,000 |

* Includes implied subsidy of \$249,000

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, 2018:

Table 43

| | 1% Decrease | Current | 1% Increase |
|-----------------------------|----------------------|----------------------|----------------------|
| | (2.87%) | Discount Rate | (3.87%) |
| | | (3.87%) | (4.87%) |
| Total OPEB Liability | \$ 78,537,000 | \$ 66,554,000 | \$ 57,129,000 |

THIS SPACE LEFT BLANK INTENTIONALLY.



Sensitivity of the Total 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, 2018:

Table 44

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|----------------------|---------------|--|---------------|
| Total OPEB Liability | \$ 55,251,000 | \$ 66,554,000 | \$ 81,290,000 |

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 45**.

Table 45

| 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 | \$162,974 | \$446,518 |

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, 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, 2019, the City reimbursed the City of Indio \$226,267 for its proportional share of annual operating 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**.

THIS SPACE LEFT BLANK INTENTIONALLY.

**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, 2019

| | General Fund (Fund 100) | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|------------------------------|-------------------|--|
| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | |
| Revenues | | | | |
| Taxes | \$36,080,058 | 36,080,058 | 40,590,244 | 4,510,186 |
| Intergovernmental | 50,000 | 50,000 | 27,284 | (22,716) |
| Licenses and permits | 1,360,500 | 1,360,500 | 2,498,178 | 1,137,678 |
| Fines and forfeitures | 185,000 | 185,000 | 108,317 | (76,683) |
| Charges for services | 4,252,088 | 4,852,088 | 5,575,676 | 723,588 |
| Special assessments | 90,000 | 90,000 | 148,401 | 58,401 |
| Use of money and property | 222,500 | 222,500 | 910,554 | 688,054 |
| Contributions from other governments | 439,791 | 616,987 | 423,959 | (193,028) |
| Other revenue | 157,000 | 157,000 | 34,058 | (122,942) |
| Total Revenues | 42,836,937 | 43,614,133 | 50,316,671 | 6,702,538 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 11,601,576 | 11,824,427 | 11,062,954 | 761,473 |
| Community development | 3,487,335 | 4,197,253 | 4,039,515 | 157,738 |
| Culture and recreation | 830,180 | 989,193 | 854,274 | 134,919 |
| Public safety | 29,655,829 | 29,743,735 | 28,515,551 | 1,228,184 |
| Public works | 818,886 | 1,196,186 | 1,189,164 | 7,022 |
| Capital outlay | - | 225,240 | 54,366 | 170,874 |
| Debt service: | | | | |
| Principal | 261,934 | 261,934 | 261,934 | - |
| Interest | 10,814 | 10,814 | 10,814 | - |
| Total Expenditures | 46,666,554 | 48,448,782 | 45,988,572 | 2,460,210 |
| Excess (deficiency) of revenues over expenditures | (3,829,617) | (4,834,649) | 4,328,099 | 4,242,328 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 77,471 | 77,471 | - | (77,471) |
| Transfers out | (434,630) | (450,067) | (563,887) | (113,820) |
| Total Other Financing Sources (Uses) | (357,159) | (372,596) | (563,887) | (191,291) |
| Net change in fund balance | (4,186,776) | (5,207,245) | 3,764,212 | 8,971,457 |
| Fund balance - beginning (budgetary) | 21,999,143 | 21,999,143 | 21,999,143 | - |
| Fund Balance - Ending (Budgetary) | 17,812,367 | 16,791,898 | 25,763,355 | 8,971,457 |
| Adjustments to Conform to GAAP: | | | | |
| GASB Statement No. 54 reporting adjustments: | | | | |
| Special Deposits fund 711 balance | | | 190,713 | |
| Big League Dreams fund 431 balance | | | 3,383,888 | |
| Fund Balance - June 30 (GAAP) | | | 29,337,956 | |

See note to required supplementary information.



Required Supplementary Information Budgetary Comparison Schedule
Major Special Revenue Funds
For the Year Ended June 30, 2019

| | Developer Fees | | | Variance with Final Budget - Positive |
|---|---------------------------------|------------------------------|-------------------|---|
| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | |
| Revenues | | | | |
| Development fees | \$ 120,570 | 371,414 | 276,696 | (94,718) |
| Use of money and property | 4,700 | 4,700 | 4,127 | (573) |
| Other revenue | - | - | - | - |
| Loss on sale of assets held for disposition | - | - | - | - |
| Total Revenues | 125,270 | 376,114 | 280,823 | (95,291) |
| Expenditures | | | | |
| Current: | | | | |
| Community development | 150,000 | 333,347 | 454,655 | (121,308) |
| Capital outlay | 100,570 | 183,504 | 52,110 | 131,394 |
| Total Expenditures | 250,570 | 516,851 | 506,765 | 10,086 |
| Excess (deficiency) of revenues over expenditures | (125,300) | (140,737) | (225,942) | (85,205) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 150,000 | 165,437 | 259,883 | 94,446 |
| Total Other Financing Sources (Uses) | 150,000 | 165,437 | 259,883 | 94,446 |
| Net change in fund balance | 24,700 | 24,700 | 33,941 | 9,241 |
| Fund balances - beginning (budgetary) | 128,017 | 128,018 | 128,018 | - |
| Fund Balance - Ending (Budgetary) | \$ 152,717 | 152,718 | 161,959 | 9,241 |

See note to required supplementary information.

Required Supplementary Information Budgetary Comparison Schedule
Major Special Revenue Funds
For the Year Ended June 30, 2019

| Successor Housing Agency | | | |
|------------------------------|---------------------------|-------------------|--|
| Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| - | - | - | - |
| 7,700 | 7,700 | (639,723) | (647,423) |
| 100,000 | 100,000 | 100,123 | 123 |
| - | - | - | - |
| 107,700 | 107,700 | (539,600) | (647,300) |
| Revenues | | | |
| | | | Development fees |
| | | | Use of money and property |
| | | | Other revenue |
| | | | Loss on sale of assets held for disposition |
| | | | Total Revenues |
| Expenditures | | | |
| | | | Current: |
| | | | Community development |
| | | | Capital outlay |
| | | | Total Expenditures |
| | | | Excess (deficiency) of revenues over expenditures |
| | | | Other Financing Sources (Uses) |
| | | | Transfers in |
| | | | Total Other Financing Sources (Uses) |
| | | | Net change in fund balance |
| | | | Fund balances - beginning (budgetary) |
| | | | Fund Balance - Ending (Budgetary) |
| - | - | - | - |
| - | - | - | - |
| (182,159) | (182,159) | (727,667) | (545,508) |
| - | - | - | - |
| - | - | - | - |
| (182,159) | (182,159) | (727,667) | (545,508) |
| 15,996,055 | 15,996,054 | 15,996,054 | - |
| 15,813,896 | 15,813,895 | 15,268,387 | (545,508) |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULES

NOTE A – BUDGETARY INFORMATION

- 1. Budgetary Data.** The City adopted a biennial budget for fiscal years 2019/20 and 2020/21 in May 2019. 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 is 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 by 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, 2019, proceeds of taxes did not exceed appropriations.

THIS PAGE LEFT BLANK INTENTIONALLY.

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

| Safety | Fiscal Year | | | | |
|---|-------------|------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| 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 | | | | |
|---|-------------|------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| 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 five 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 - PEPRA 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 | | | | | |
|-------------|------------|------------|------------|------------|--|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 0.254740% | 0.370020% | 0.400772% | 0.400772% | 0.345543% | Proportion of the net pension liability |
| 15,850,966 | 15,246,470 | 20,756,881 | 24,199,444 | 23,778,223 | Proportionate share of the net pension liability |
| 8,550,024 | 8,455,958 | 9,570,575 | 9,840,773 | 11,136,589 | Covered payroll |
| 185.39% | 180.30% | 216.88% | 245.91% | 213.51% | Proportionate share of the net pension liability as a percentage of covered payroll |
| 82.30% | 77.27% | 78.69% | 79.72% | 79.72% | Plan fiduciary net position as a percentage of the total pension liability |

| Fiscal Year | | | | | |
|-------------|-----------|------------|------------|------------|--|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 0.18658% | 0.270385% | 0.288874% | 0.288874% | 0.262145% | Proportion of the net pension liability |
| 11,610,177 | 7,417,913 | 10,035,138 | 11,769,605 | 11,224,618 | Proportionate share of the net pension liability |
| 5,154,876 | 5,827,132 | 6,598,156 | 7,365,413 | 8,144,720 | Covered payroll |
| 225.23% | 127.30% | 152.09% | 159.80% | 137.81% | Proportionate share of the net pension liability as a percentage of covered payroll |
| 74.04% | 79.89% | 78.93% | 78.87% | 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 | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| 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 | | | | |
|--|--------------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| 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 FY2016 (measurement date 6/30/2015) from 7.50% in FY2015 (measurement date 6/30/2014).

Source: City of Cathedral City financial records

| Fiscal Year | | | | | |
|-------------|-------------|-------------|-------------|-------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 1,815,106 | 1,513,632 | 2,595,594 | 3,070,822 | 2,940,974 | Contractually required contributions (actuarially determined) |
| (1,815,106) | (1,513,632) | (2,595,594) | (3,070,822) | (2,940,974) | Contributions in relation to the actuarially determined contributions |
| - | - | - | - | - | Contribution deficiency (excess) |
| 8,455,958 | 9,570,575 | 9,840,773 | 11,136,589 | 11,558,416 | Covered payroll |
| 21.47% | 15.82% | 26.38% | 27.57% | 25.44% | Contributions as a percentage of covered-payroll |

| Fiscal Year | | | | | |
|-------------|-----------|-------------|-------------|-------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 742,834 | 524,469 | 1,377,778 | 1,498,985 | 1,165,154 | Contractually required contributions (actuarially determined) |
| (742,834) | (524,469) | (1,377,778) | (1,498,985) | (1,165,154) | Contributions in relation to the actuarially determined contributions |
| - | - | - | - | - | Contribution deficiency (excess) |
| 5,827,132 | 6,598,156 | 7,365,413 | 8,144,720 | 7,940,401 | Covered payroll |
| 12.75% | 7.95% | 18.71% | 18.40% | 14.67% | 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 | | | | |
|--|-------------|------|------|------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| 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 | N/A | N/A | N/A | N/A | N/A |
| Total OPEB liability - beginning | N/A | N/A | N/A | N/A | N/A |
| Total OPEB liability - ending (a) | N/A | N/A | N/A | N/A | N/A |
| | | | | | |
| 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 | | | | | |
|-------------|------|------|--------------|--------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | Total OPEB Liability |
| NA | NA | NA | \$ 3,758,000 | \$ 3,209,000 | Service Cost |
| NA | NA | NA | 2,081,000 | 2,438,000 | Interest on the Total OPEB Liability |
| NA | NA | NA | - | - | Actual and expected experience difference |
| NA | NA | NA | (8,643,000) | (3,153,000) | Changes in assumptions |
| NA | NA | NA | - | - | Changes in benefit terms |
| NA | NA | NA | (1,546,000) | (1,640,000) | Benefit payments (2) |
| N/A | N/A | N/A | (4,350,000) | 854,000 | Net change in total OPEB liability |
| N/A | N/A | N/A | 70,050,000 | 65,700,000 | Total OPEB liability - beginning |
| N/A | N/A | N/A | \$65,700,000 | \$66,554,000 | Total OPEB liability - ending (a) |
| NA | NA | NA | \$17,568,000 | \$21,608,000 | Covered-employee payroll |
| NA | NA | NA | 374% | 308% | Total OPEB liability as a percentage of covered-employee payroll |

THIS PAGE LEFT BLANK INTENTIONALLY.

GOVERNMENTAL FUNDS



City of Cathedral City, California



City of Cathedral City, California

**Combining Schedule of Accounts
General Fund
June 30, 2019**

| | General Fund - As Reported | | | Total |
|--|-------------------------------|---------------------------------------|-----------------------------------|-------------------|
| | General Fund (Fund 100) | Big League Dreams (Fund 431) | Special Deposits (Fund 711) | |
| Assets | | | | |
| Cash and investments | \$20,131,577 | 797,698 | 871,991 | 21,801,266 |
| Interest receivable | 276,969 | 49,144 | 4,519 | 330,632 |
| Accounts receivable | 5,040,812 | - | - | 5,040,812 |
| Loans receivable | 3,406,726 | 2,537,046 | - | 5,943,772 |
| Intergovernmental receivable | 582,376 | - | - | 582,376 |
| Prepaid assets | 6,105 | - | - | 6,105 |
| Total Assets | \$29,444,565 | 3,383,888 | 876,510 | 33,704,963 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,221,137 | - | 37,894 | 2,259,031 |
| Deposits from others | 5,174 | - | 647,903 | 653,077 |
| Unearned revenue | 218,521 | - | - | 218,521 |
| Total Liabilities | 2,444,832 | - | 685,797 | 3,130,629 |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | 1,236,378 | - | - | 1,236,378 |
| Total Deferred Inflow of Resources | 1,236,378 | - | - | 1,236,378 |
| Fund balances: | | | | |
| Nonspendable | 6,105 | - | - | 6,105 |
| Restricted | 50,000 | 2,582,034 | - | 2,632,034 |
| Assigned | - | 833,351 | - | 833,351 |
| Unassigned | 25,707,250 | (31,497) | 190,713 | 25,866,466 |
| Total Fund Balances | 25,763,355 | 3,383,888 | 190,713 | 29,337,956 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$29,444,565 | 3,383,888 | 876,510 | 33,704,963 |

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2019

| | General Fund - As Reported | | | Total |
|---|----------------------------|------------------------------------|-----------------------------------|-------------------|
| | General Fund (Fund 100) | Big League Dreams (Fund 431) | Special Deposits (Fund 711) | |
| Revenues | | | | |
| Taxes | \$ 40,590,244 | - | - | 40,590,244 |
| Intergovernmental | 27,284 | - | - | 27,284 |
| Licenses and permits | 2,498,178 | - | - | 2,498,178 |
| Fines and forfeitures | 108,317 | - | - | 108,317 |
| Charges for services | 5,575,676 | - | - | 5,575,676 |
| Special assessments | 148,401 | - | - | 148,401 |
| Use of money and property | 910,554 | 209,309 | 25,506 | 1,145,369 |
| Contributions from other governments | 423,959 | - | - | 423,959 |
| Other revenue | 34,058 | - | - | 34,058 |
| Total Revenues | 50,316,671 | 209,309 | 25,506 | 50,551,486 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 11,062,954 | 1,850 | - | 11,064,804 |
| Community development | 4,039,515 | - | - | 4,039,515 |
| Culture and recreation | 854,274 | - | - | 854,274 |
| Public safety | 28,515,551 | - | - | 28,515,551 |
| Public works | 1,189,164 | - | - | 1,189,164 |
| Capital outlay | 54,366 | - | - | 54,366 |
| Debt service: | | | | |
| Principal | 261,934 | - | - | 261,934 |
| Interest | 10,814 | - | - | 10,814 |
| Capital outlay | - | - | - | - |
| Total Expenditures | 45,988,572 | 1,850 | - | 45,990,422 |
| Excess of revenues over expenditures | 4,328,099 | 207,459 | 25,506 | 4,561,064 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (563,887) | (379,545) | - | (943,432) |
| Total Other Financing Sources (Uses) | (563,887) | (379,545) | - | (943,432) |
| Net change in fund balances | 3,764,212 | (172,086) | 25,506 | 3,617,632 |
| Fund balances - beginning | 21,999,143 | 3,555,974 | 165,207 | 25,720,324 |
| Fund Balances - Ending | \$ 25,763,355 | 3,383,888 | 190,713 | 29,337,956 |

Schedule of Expenditures Compared with Authorizations General Fund

For the Year Ended June 30, 2019

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Gain/(Loss) |
|------------------------------|------------------------------|---------------------------|-------------------|--|
| Administration | | | | |
| City Council | \$ 287,645 | 290,199 | 258,302 | 31,897 |
| City Clerk | 279,943 | 296,219 | 296,303 | (84) |
| City Attorney | 210,000 | 235,000 | 217,068 | 17,932 |
| City Management | 2,398,555 | 2,432,695 | 2,425,399 | 7,296 |
| Administrative Services | 6,866,140 | 6,916,170 | 6,886,611 | 29,559 |
| General Government | 1,299,157 | 1,494,007 | 1,464,763 | 29,244 |
| Community Development | | | | |
| Development Services | 4,474,112 | 5,483,720 | 5,496,498 | (12,777) |
| Public Works | 749,554 | 1,126,854 | 1,102,555 | 24,299 |
| Public Safety | | | | |
| Police | 17,524,307 | 17,524,307 | 17,514,496 | 9,811 |
| Fire | 11,902,037 | 11,989,943 | 11,948,488 | 41,454 |
| Grand Total | \$ 45,991,450 | 47,789,115 | 47,610,484 | 178,631 |

Note 1: The above amounts include expenditures and transfers out. The expenditures presented on the previous page are reduced by transfers in to the General fund.

THIS PAGE LEFT BLANK INTENTIONALLY.

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 (Fund 232).** Accounts for the cost of burying above ground utility lines. Financing is provided by developer fees.
2. **Traffic Safety (Fund 233).** Accounts for traffic safety signal installation, maintenance, and road repairs. Financing is provided by vehicle code fines collected by the County of Riverside and interest earnings.
3. **City Mitigation Fee (formerly Transfer Station Road) (Fund 234).** 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 (Fund 236).** Accounts for funds received from local cable companies to be used for funding local public education and government access stations.
5. **State Gas Tax (Fund 241).** Accounts for street improvements and engineering costs. Financing is provided by the City's allocation of the state gasoline taxes and interest earnings.
6. **Air Quality Improvement (Fund 242).** Accounts for revenues received under AB 2766. Expenditures are restricted to being used for air pollution reduction.
7. **Measure A (Fund 243).** 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 (Fund 244).** Accounts for expenditures incurred in narcotics interdiction efforts. Financing is provided by seized assets awarded by the court.
9. **Solid Waste (Fund 246).** Accounts for revenues received under AB 939. Expenditures are limited to programs that initiate recycling efforts through the City.
10. **Police Grants (Fund 247).** Accounts for revenues and expenditures related to state and federal grants for the City's Police Department.
11. **Road Maintenance and Rehabilitation Account (RMRA) (Fund 248).** 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 (Fund 251).** 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 (Fund 255).** Accounts for receipts collected that are restricted for expenditures related to the City's Police Department projects.
14. **Fire Department Special Revenues (Fund 256).** 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 (Fund 261).** 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 (Fund 321).** Accounts for the purchase of police and fire land, buildings, and replacement equipment. Financing is provided by developer fees.
2. **Traffic Signalization (Fund 322).** Accounts for the installation of traffic signals. Financing is provided by developer fees.
3. **Assessment District 85-1 (Fund 341).** 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 (Fund 342).** 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 (Fund 344).** 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 (Fund 345).** 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 88-3 (Fund 347).** Accounts for improvements within Assessment District 88-3. Financing is provided from the Limited Obligation Improvement Bonds issued.
8. **Assessment District 96-1 (Fund 348).** Accounts for improvements within Assessment District 96-1. Financing is provided from the Limited Obligation Improvement Bonds issued.
9. **Assessment District 2001-01 (Fund 349).** Accounts for improvements within Assessment District 2001-01. Financing is provided from the Limited Obligation Improvement Bonds issued.
10. **CFD Rio Vista (Fund 351).** Accounts for improvements within the Rio Vista Community Facilities District. Financing is provided by contributions from property owners.
11. **Assessment District 2003-01 (Fund 352).** Accounts for improvements within Assessment District 2003-01. Financing is provided from the Limited Obligation Improvement Bonds issued.
12. **Assessment District 2004-01 (Fund 353).** Accounts for improvements within Assessment District 2004-01. Financing is provided from the Limited Obligation Improvement Bonds issued.
13. **Assessment District 2004-02 (Fund 354).** Accounts for improvements within Assessment District 2004-02. Financing is provided from the Limited Obligation Improvement Bonds issued.

THIS PAGE LEFT BLANK INTENTIONALLY.

Combining Balance Sheet

Nonmajor Governmental Funds by Fund

June 30, 2019

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|---|--|--|
| Assets | | | |
| Cash and investments | \$ 8,414,632 | 3,068,713 | 11,483,345 |
| Receivables: | | | |
| Interest | 44,910 | 6,979 | 51,889 |
| Accounts | 609,892 | 60 | 609,952 |
| Prepaid assets | 4,423 | - | 4,423 |
| Restricted assets: | | | |
| Cash and investments with fiscal agent | - | 79 | 79 |
| Total Assets | \$ 9,073,857 | 3,075,831 | 12,149,688 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 310,011 | - | 310,011 |
| Intergovernmental payable | 582,316 | 60 | 582,376 |
| Total Liabilities | 892,327 | 60 | 892,387 |
| Deferred inflows of resources: | | | |
| Unavailable revenue | 29,391 | - | 29,391 |
| Total Deferred Inflow of Resources | 29,391 | - | 29,391 |
| Fund balances: | | | |
| Nonspendable | 4,423 | - | 4,423 |
| Restricted | 8,147,716 | 3,075,771 | 11,223,487 |
| Total Fund Balances | 8,152,139 | 3,075,771 | 11,227,910 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 9,073,857 | 3,075,831 | 12,149,688 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds by Fund Type
For the Year Ended June 30, 2019

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------------|------------------------------------|---|
| Revenues | | | |
| Intergovernmental | \$ 5,163,277 | - | 5,163,277 |
| Fines and forfeitures | 175,642 | - | 175,642 |
| Charges for services | 1,440,606 | - | 1,440,606 |
| Special assessments | 502,456 | - | 502,456 |
| Development fees | 54,864 | 70,050 | 124,914 |
| Use of money and property | 263,899 | 43,853 | 307,752 |
| Other revenue | 93,296 | - | 93,296 |
| Total Revenues | 7,694,040 | 113,903 | 7,807,943 |
| Expenditures | | | |
| Current: | | | |
| General government | 407,095 | - | 407,095 |
| Community development | 1,018,496 | 245,359 | 1,263,855 |
| Public safety | 1,026,151 | - | 1,026,151 |
| Public works | 3,040,905 | - | 3,040,905 |
| Capital outlay | 2,600,896 | 655,361 | 3,256,257 |
| Total Expenditures | 8,093,543 | 900,720 | 8,994,263 |
| Excess (deficiency) of revenues over (under) expenditures | (399,503) | (786,817) | (1,186,320) |
| Other Financing Sources (Uses) | | | |
| Transfers in | 197,392 | - | 197,392 |
| Transfers out | (48,239) | - | (48,239) |
| Total Other Financing Sources (Uses) | 149,153 | - | 149,153 |
| Net change in fund balances | (250,350) | (786,817) | (1,037,167) |
| Fund balances - beginning | 8,402,489 | 3,862,588 | 12,265,077 |
| Fund Balances - Ending | \$ 8,152,139 | 3,075,771 | 11,227,910 |

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019

| | Master Underground Plan | Traffic Safety | City Mitigation Fee | PEG Fees |
|--|-------------------------------|-------------------|---------------------------|----------------|
| Assets | | | | |
| Cash and investments | \$ 1,931,050 | 945,154 | 2,287,978 | 343,266 |
| Receivables: | | | | |
| Interest | 10,061 | 4,925 | 11,921 | 1,788 |
| Accounts | - | 7,503 | 56,473 | 31,019 |
| Prepaid assets | - | - | - | - |
| Total Assets | \$ 1,941,111 | 957,582 | 2,356,372 | 376,073 |
| Liabilities, Deferred Inflows Of Resources, And Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | 80,036 | 16,755 | 753 |
| Intergovernmental payable | - | - | - | - |
| Total Liabilities | - | 80,036 | 16,755 | 753 |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | - | - | - | - |
| Total Deferred Inflow of Resources | - | - | - | - |
| Fund balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 1,941,111 | 877,546 | 2,339,617 | 375,320 |
| Total Fund Balances (Deficits) | 1,941,111 | 877,546 | 2,339,617 | 375,320 |
| Total Liabilities, Deferred Inflows Of Resources, And Fund Balances | \$ 1,941,111 | 957,582 | 2,356,372 | 376,073 |

| <u>State Gas Tax</u> | <u>Air Quality Improvement</u> | <u>Measure A</u> | <u>Asset Forfeiture</u> |
|--------------------------|------------------------------------|------------------|-----------------------------|
| 974 | 377,760 | 975 | 249,254 |
| - | 1,968 | - | 1,299 |
| - | 18,424 | 236,940 | - |
| - | - | - | - |
| 974 | 398,152 | 237,915 | 250,553 |
| 23,056 | 13,818 | 59,931 | - |
| 363,226 | - | 217,019 | - |
| 386,282 | 13,818 | 276,950 | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| (385,308) | 384,334 | (39,035) | 250,553 |
| (385,308) | 384,334 | (39,035) | 250,553 |
| 974 | 398,152 | 237,915 | 250,553 |

Assets

Cash and investments

Receivables:

Interest

Accounts

Prepaid assets

Total Assets

**Liabilities, Deferred Inflows Of Resources, And
Fund Balances**

Liabilities:

Accounts payable

Intergovernmental payable

Total Liabilities

Deferred inflows of resources:

Unavailable revenue

Total Deferred Inflow of Resources

Fund balances:

Nonspendable

Restricted

Total Fund Balances (Deficits)

**Total Liabilities, Deferred Inflows Of
Resources, And Fund Balances**

Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2019

| | Solid Waste | Police Grants | Road Maintenance and Rehabilitation | Community Development Block Grant |
|--|---------------------|------------------|--|---|
| Assets | | | | |
| Cash and investments | \$ 1,360,864 | 149,019 | 357,961 | - |
| Receivables: | | | | |
| Interest | 7,090 | 777 | 1,865 | 3 |
| Accounts | 95,082 | 14,121 | 94,197 | 43,262 |
| Prepaid assets | - | 1,013 | - | - |
| Total Assets | \$ 1,463,036 | 164,930 | 454,023 | 43,265 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 65,263 | 1,200 | - | 23,995 |
| Intergovernmental payable | - | - | - | 2,071 |
| Total Liabilities | 65,263 | 1,200 | - | 26,066 |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | - | 11,750 | - | 17,641 |
| Total Deferred Inflow of Resources | - | 11,750 | - | 17,641 |
| Fund balances: | | | | |
| Nonspendable | - | 1,013 | - | - |
| Restricted | 1,397,773 | 150,967 | 454,023 | (442) |
| Total Fund Balances (Deficits) | 1,397,773 | 151,980 | 454,023 | (442) |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 1,463,036 | 164,930 | 454,023 | 43,265 |

| Police Department Special Revenues | Fire Department Special Revenues | Landscape and Lighting District | Total | |
|---|---|---------------------------------------|------------------|--|
| 201,932 | 50,918 | 157,527 | 8,414,632 | Assets |
| 1,052 | 1,340 | 821 | 44,910 | Cash and investments |
| - | 3,765 | 9,106 | 609,892 | Receivables: |
| 2,640 | - | 770 | 4,423 | Interest |
| 205,624 | 56,023 | 168,224 | 9,073,857 | Accounts |
| | | | | Prepaid assets |
| | | | | Total Assets |
| | | | | Liabilities, Deferred Inflows of Resources, and Fund Balances |
| 251 | - | 24,953 | 310,011 | Liabilities: |
| - | - | - | 582,316 | Accounts payable |
| 251 | - | 24,953 | 892,327 | Intergovernmental payable |
| | | | | Total Liabilities |
| | | | | Deferred inflows of resources: |
| - | - | - | 29,391 | Unavailable revenue |
| - | - | - | 29,391 | Total Deferred Inflow of Resources |
| 2,640 | - | 770 | 4,423 | Fund balances: |
| 202,733 | 56,023 | 142,501 | 8,147,716 | Nonspendable |
| 205,373 | 56,023 | 143,271 | 8,152,139 | Restricted |
| | | | | Total Fund Balances (Deficits) |
| 205,624 | 56,023 | 168,224 | 9,073,857 | Total Liabilities, Deferred Inflows of Resources, and Fund Balances |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2019

| | Master Underground Plan | Traffic Safety | City Mitigation Fee | PEG Fees |
|--|-------------------------------|-------------------|------------------------|----------------|
| Revenues | | | | |
| Intergovernmental | \$ - | - | - | - |
| Fines and forfeitures | - | 175,642 | - | - |
| Charges for services | - | - | 319,673 | 126,442 |
| Special assessments | - | - | - | - |
| Development fees | 54,864 | - | - | - |
| Use of money and property | 60,252 | 31,323 | 69,462 | 9,335 |
| Other revenue | - | - | - | - |
| Total Revenues | 115,116 | 206,965 | 389,135 | 135,777 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | 43,284 | - | - |
| Community development | - | - | 99,965 | 5,127 |
| Public safety | - | 227,058 | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | 76,575 | 24,610 | - |
| Total Expenditures | - | 346,917 | 124,575 | 5,127 |
| Excess (deficiency) of revenues over (under) expenditures | 115,116 | (139,952) | 264,560 | 130,650 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net change in fund balances | 115,116 | (139,952) | 264,560 | 130,650 |
| Fund balances - beginning | 1,825,995 | 1,017,498 | 2,075,057 | 244,670 |
| Fund Balances - Ending | \$ 1,941,111 | 877,546 | 2,339,617 | 375,320 |

| State Gas Tax | Air Quality Improvement | Measure A | Asset Forfeiture |
|------------------|-------------------------|------------------|------------------|
| 1,081,322 | 17,767 | 1,602,517 | - |
| - | - | - | - |
| 35,887 | - | 35,887 | - |
| - | - | - | - |
| - | - | - | - |
| 2,670 | 11,896 | 1,440 | 7,876 |
| - | - | - | - |
| 1,119,879 | 29,663 | 1,639,844 | 7,876 |
| 91,426 | - | 126,703 | - |
| - | - | 175,267 | - |
| - | - | - | - |
| 1,186,326 | 13,400 | 1,239,812 | - |
| 568,424 | - | 568,424 | - |
| 1,846,176 | 13,400 | 2,110,206 | - |
| (726,297) | 16,263 | (470,362) | 7,876 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| (726,297) | 16,263 | (470,362) | 7,876 |
| 340,989 | 368,071 | 431,327 | 242,677 |
| (385,308) | 384,334 | (39,035) | 250,553 |

Revenues

Intergovernmental
 Fines and forfeitures
 Charges for services
 Special assessments
 Development fees
 Use of money and property
 Other revenue

Total Revenues

Expenditures

Current:

General government
 Community development
 Public safety
 Public works
 Capital outlay

Total Expenditures

Excess (deficiency) of revenues over (under) expenditures

Other Financing Sources (Uses)

Transfers in
 Transfers out

Total Other Financing Sources (Uses)

Net change in fund balances

Fund balances - beginning

Fund Balances - Ending

Continued

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended June 30, 2019

| | Solid Waste | Police Grants | Road Maintenance and Rehabilitation | Community Development Block Grant |
|--|---------------------|------------------|--|---|
| Revenues | | | | |
| Intergovernmental | \$ 62,616 | 195,577 | 1,049,623 | 586,026 |
| Fines and forfeitures | - | - | - | - |
| Charges for services | 922,717 | - | - | - |
| Special assessments | - | - | - | - |
| Development fees | - | - | - | - |
| Use of money and property | 43,445 | 4,476 | 7,453 | 302 |
| Other revenue | - | - | - | 1,025 |
| Total Revenues | 1,028,778 | 200,053 | 1,057,076 | 587,353 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 88,523 | - | - | - |
| Community development | 581,508 | - | - | 156,629 |
| Public safety | - | 170,393 | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | 916,017 | 446,846 |
| Total Expenditures | 670,031 | 170,393 | 916,017 | 603,475 |
| Excess (deficiency) of revenues over (under) expenditures | 358,747 | 29,660 | 141,059 | (16,122) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | (48,239) | - | - |
| Total Other Financing Sources (Uses) | - | (48,239) | - | - |
| Net change in fund balances | 358,747 | (18,579) | 141,059 | (16,122) |
| Fund balances - beginning | 1,039,026 | 170,559 | 312,964 | 15,680 |
| Fund Balances - Ending | \$ 1,397,773 | 151,980 | 454,023 | (442) |

| Police Department Special Revenues | Fire Department Special Revenues | Landscape and Lighting District | Total | |
|---|---|---------------------------------------|------------------|--|
| - | 567,829 | - | 5,163,277 | Revenues |
| - | - | - | 175,642 | Intergovernmental |
| - | - | - | 1,440,606 | Fines and forfeitures |
| - | - | 502,456 | 502,456 | Charges for services |
| - | - | - | 54,864 | Special assessments |
| 6,382 | 4,455 | 3,132 | 263,899 | Development fees |
| 55,744 | 36,527 | - | 93,296 | Use of money and property |
| 62,126 | 608,811 | 505,588 | 7,694,040 | Other revenue |
| | | | | Total Revenues |
| | | | | Expenditures |
| | | | | Current: |
| - | - | 57,159 | 407,095 | General government |
| - | - | - | 1,018,496 | Community development |
| 45,752 | 582,948 | - | 1,026,151 | Public safety |
| - | - | 601,367 | 3,040,905 | Public works |
| - | - | - | 2,600,896 | Capital outlay |
| 45,752 | 582,948 | 658,526 | 8,093,543 | Total Expenditures |
| | | | | Excess (deficiency) of revenues over (under) expenditures |
| 16,374 | 25,863 | (152,938) | (399,503) | |
| | | | | Other Financing Sources (Uses) |
| - | - | 197,392 | 197,392 | Transfers in |
| - | - | - | (48,239) | Transfers out |
| - | - | 197,392 | 149,153 | Total Other Financing Sources (Uses) |
| 16,374 | 25,863 | 44,454 | (250,350) | Net change in fund balances |
| 188,999 | 30,160 | 98,817 | 8,402,489 | Fund balances - beginning |
| 205,373 | 56,023 | 143,271 | 8,152,139 | Fund Balances - Ending |

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2019**

| | Master Underground Plan | | |
|---|---------------------------|-------------------|---|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| Revenues | | | |
| Fines and forfeitures | \$ - | - | - |
| Development fees | 16,500 | 54,864 | 38,364 |
| Use of money and property | 11,500 | 60,252 | 48,752 |
| Total Revenues | 28,000 | 115,116 | 87,116 |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Capital outlay | - | - | - |
| Total Expenditures | - | - | - |
| Excess (deficiency) of revenues over expenditures | 28,000 | 115,116 | 87,116 |
| Net change in fund balances | 28,000 | 115,116 | 87,116 |
| Fund balances - beginning | 1,825,995 | 1,825,995 | - |
| Fund Balances - Ending | \$ 1,853,995 | 1,941,111 | 87,116 |

| Final Budgeted Amounts | Actual Amounts | Traffic Safety |
|---------------------------|-------------------|---|
| | | Variance with Final Budget - Positive (Negative) |
| 360,000 | 175,642 | (184,358) |
| - | - | - |
| 6,500 | 31,323 | 24,823 |
| 366,500 | 206,965 | (159,535) |
| 86,567 | 43,284 | 43,283 |
| 303,135 | 227,058 | 76,077 |
| 158,348 | 76,575 | 81,773 |
| 548,050 | 346,917 | 201,133 |
| (181,550) | (139,952) | 41,598 |
| (181,550) | (139,952) | 41,598 |
| 1,017,498 | 1,017,498 | - |
| 835,948 | 877,546 | 41,598 |

continued

Revenues

Fines and forfeitures
 Development fees
 Use of money and property

Total Revenues

Expenditures

Current:

General government
 Public safety
 Capital outlay

Total Expenditures

Excess (deficiency) of revenues over expenditures

Net change in fund balances

Fund balances - beginning

Fund Balances - Ending

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

For the Year Ended June 30, 2019

| | Final Budgeted Amounts | Actual Amounts | City Mitigation Fee Variance with Final Budget - Positive (Negative) |
|---|---------------------------|-------------------|--|
| Revenues | | | |
| Charges for services | \$ 300,000 | 319,673 | 19,673 |
| Use of money and property | 6,000 | 69,462 | 63,462 |
| Total Revenues | 306,000 | 389,135 | 83,135 |
| Expenditures | | | |
| Current: | | | |
| General government | | | |
| Community development | 75,000 | 99,965 | (24,965) |
| Capital outlay | 944,000 | 24,610 | 919,390 |
| Total Expenditures | 1,019,000 | 124,575 | 894,425 |
| Excess (deficiency) of revenues over expenditures | (713,000) | 264,560 | 977,560 |
| Net change in fund balances | (713,000) | 264,560 | 977,560 |
| Fund balances - beginning | 2,075,057 | 2,075,057 | - |
| Fund Balances - Ending | \$ 1,362,057 | 2,339,617 | 977,560 |

| Final Budgeted Amounts | Actual Amounts | PEG Fees |
|---------------------------|-------------------|---|
| | | Variance with Final Budget - Positive (Negative) |
| 85,000 | 126,442 | 41,442 |
| 2,100 | 9,335 | 7,235 |
| 87,100 | 135,777 | 48,677 |
| 12,000 | 5,127 | 6,873 |
| - | - | - |
| 12,000 | 5,127 | 6,873 |
| 75,100 | 130,650 | 55,550 |
| 75,100 | 130,650 | 55,550 |
| 244,670 | 244,670 | - |
| 319,770 | 375,320 | 55,550 |

Revenues

Charges for services
Use of money and property
Total Revenues

Expenditures

Current:
 General government
 Community development
Capital outlay
Total Expenditures

Excess (deficiency) of revenues over expenditures

Net change in fund balances
Fund balances - beginning

Fund Balances - Ending

continued

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

For the Year Ended June 30, 2019

| | Final Budgeted Amounts | Actual Amounts | State Gas Tax Variance with Final Budget - Positive (Negative) |
|---|---------------------------|-------------------|--|
| Revenues | | | |
| Intergovernmental | \$ 2,074,931 | 1,081,322 | (993,609) |
| Charges for services | 15,000 | 35,887 | 20,887 |
| Use of money and property | 17,000 | 2,670 | (14,330) |
| Total Revenues | 2,106,931 | 1,119,879 | (987,052) |
| Expenditures | | | |
| Current: | | | |
| General government | 91,426 | 91,426 | - |
| Public works | 1,304,060 | 1,186,326 | 117,734 |
| Capital outlay | 1,045,000 | 568,424 | 476,576 |
| Total Expenditures | 2,440,486 | 1,846,176 | 594,310 |
| Excess (deficiency) of revenues over expenditures | (333,555) | (726,297) | (392,742) |
| Other Financing Sources (Uses) | | | |
| Transfers in | 12,500 | - | (12,500) |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | 12,500 | - | (12,500) |
| Net change in fund balances | (321,055) | (726,297) | (405,242) |
| Fund balances - beginning | 340,989 | 340,989 | - |
| Fund Balances - Ending | \$ 19,934 | (385,308) | (405,242) |

| Air Quality Improvement | | |
|-----------------------------------|---------------------------|---|
| Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| 42,000 | 17,767 | (24,233) |
| - | - | - |
| 1,800 | 11,896 | 10,096 |
| 43,800 | 29,663 | (14,137) |
| - | - | - |
| 25,900 | 13,400 | 12,500 |
| - | - | - |
| 25,900 | 13,400 | 12,500 |
| 17,900 | 16,263 | (1,637) |
| - | - | - |
| (25,000) | - | 25,000 |
| (25,000) | - | 25,000 |
| (7,100) | 16,263 | 23,363 |
| 368,071 | 368,071 | - |
| 360,971 | 384,334 | 23,363 |

Revenues

Intergovernmental
Charges for services
Use of money and property

Total Revenues**Expenditures**

Current:
General government
Public works
Capital outlay

Total Expenditures

Excess (deficiency) of revenues over expenditures

Other Financing Sources (Uses)

Transfers in
Transfers out

Total Other Financing Sources (Uses)

Net change in fund balances

Fund balances - beginning

Fund Balances - Ending

continued

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

For the Year Ended June 30, 2019

| | | | Measure A |
|---|---------------------|------------------|-----------------|
| | Final Budgeted | Actual | Variance with |
| | Amounts | Amounts | Final Budget - |
| | | | Positive |
| | | | (Negative) |
| Revenues | | | |
| Intergovernmental | \$ 1,501,000 | 1,602,517 | 101,517 |
| Charges for services | 15,000 | 35,887 | 20,887 |
| Use of money and property | 3,500 | 1,440 | (2,060) |
| Total Revenues | 1,519,500 | 1,639,844 | 120,344 |
| Expenditures | | | |
| Current: | | | |
| General government | 120,080 | 126,703 | (6,623) |
| Community development | 210,000 | 175,267 | 34,733 |
| Public safety | - | - | - |
| Public works | 1,364,061 | 1,239,812 | 124,249 |
| Capital outlay | 545,000 | 568,424 | (23,424) |
| Total Expenditures | 2,239,141 | 2,110,206 | 128,935 |
| Excess (deficiency) of revenues over expenditures | (719,641) | (470,362) | 249,279 |
| Other Financing Sources (Uses) | | | |
| Transfers in | 12,500 | - | (12,500) |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | 12,500 | - | (12,500) |
| Net change in fund balances | (707,141) | (470,362) | 236,779 |
| Fund balances - beginning | 431,327 | 431,327 | - |
| Fund Balances - Ending | \$ (275,814) | (39,035) | 236,779 |

| Final Budgeted Amounts | Actual Amounts | Asset Forfeiture Variance with Final Budget - Positive (Negative) |
|---------------------------|-------------------|---|
| - | - | - |
| - | - | - |
| 1,700 | 7,876 | 6,176 |
| 1,700 | 7,876 | 6,176 |
| - | - | - |
| - | - | - |
| 1,500 | - | 1,500 |
| - | - | - |
| - | - | - |
| 1,500 | - | 1,500 |
| 200 | 7,876 | 7,676 |
| - | - | - |
| - | - | - |
| - | - | - |
| 200 | 7,876 | 7,676 |
| 242,677 | 242,677 | - |
| 242,877 | 250,553 | 7,676 |

continued

Revenues

Intergovernmental
Charges for services
Use of money and property

Total Revenues

Expenditures

Current:
General government
Community development
Public safety
Public works
Capital outlay

Total Expenditures

Excess (deficiency) of revenues over expenditures

Other Financing Sources (Uses)

Transfers in
Transfers out

Total Other Financing Sources (Uses)

Net change in fund balances
Fund balances - beginning

Fund Balances - Ending

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

For the Year Ended June 30, 2019

| | Final Budgeted Amounts | Actual Amounts | Solid Waste Variance with Final Budget - Positive (Negative) |
|---|---------------------------|-------------------|--|
| Revenues | | | |
| Intergovernmental | \$ 44,000 | 62,616 | 18,616 |
| Charges for services | 825,000 | 922,717 | 97,717 |
| Use of money and property | 1,800 | 43,445 | 41,645 |
| Governmental Expenditures | - | - | - |
| Total Revenues | 870,800 | 1,028,778 | 157,978 |
| Expenditures | | | |
| Current: | | | |
| General government | 80,641 | 88,523 | (7,882) |
| Community development | 719,399 | 581,508 | 137,891 |
| Public safety | - | - | - |
| Total Expenditures | 800,040 | 670,031 | 130,009 |
| Excess (deficiency) of revenues over expenditures | 70,760 | 358,747 | 287,987 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - |
| Net change in fund balances | 70,760 | 358,747 | 287,987 |
| Fund balances - beginning | 1,039,026 | 1,039,026 | - |
| Fund Balances - Ending | \$ 1,109,786 | 1,397,773 | 287,987 |

| Police Grants | | |
|-----------------------------------|---------------------------|---|
| Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| - | 195,577 | 195,577 |
| - | - | - |
| 200 | 4,476 | 4,276 |
| - | - | - |
| 200 | 200,053 | 199,853 |
| | | |
| - | - | - |
| - | - | - |
| 31,500 | 170,393 | (138,893) |
| 31,500 | 170,393 | (138,893) |
| | | |
| (31,300) | 29,660 | 60,960 |
| | | |
| - | - | - |
| (38,850) | (48,239) | (9,389) |
| (38,850) | (48,239) | (9,389) |
| | | |
| (70,150) | (18,579) | 51,571 |
| 170,559 | 170,559 | - |
| 100,409 | 151,980 | 51,571 |

continued

Revenues

Intergovernmental
 Charges for services
 Use of money and property
 Governmental Expenditures

Total Revenues

Expenditures

Current:
 General government
 Community development
 Public safety

Total Expenditures

Excess (deficiency) of revenues over expenditures

Other Financing Sources (Uses)

Transfers in
 Transfers out

Total Other Financing Sources (Uses)

Net change in fund balances
 Fund balances - beginning

Fund Balances - Ending

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

For the Year Ended June 30, 2019

| | Road Maintenance and Rehabilitation | | |
|---|-------------------------------------|-------------------|---|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| Revenues | | | |
| Intergovernmental | \$ - | 1,049,623 | 1,049,623 |
| Charges for services | - | - | - |
| Use of money and property | - | 7,453 | 7,453 |
| Other revenues | - | - | - |
| Total Revenues | - | 1,057,076 | 1,057,076 |
| Expenditures | | | |
| Current: | | | |
| Community development | - | - | - |
| Capital outlay | 827,696 | 916,017 | (88,321) |
| Total Expenditures | 827,696 | 916,017 | (88,321) |
| Excess (deficiency) of revenues over expenditures | (827,696) | 141,059 | 968,755 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - |
| Net change in fund balances | (827,696) | 141,059 | 968,755 |
| Fund balances - beginning | 312,964 | 312,964 | - |
| Fund Balances - Ending | \$ (514,732) | 454,023 | 968,755 |

| Community Development Block Grant | | |
|-----------------------------------|-------------------|---|
| Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| 601,115 | 586,026 | (15,089) |
| - | - | - |
| 200 | 302 | 102 |
| 2,000 | 1,025 | (975) |
| 603,315 | 587,353 | (15,962) |
| | | |
| 555,144 | 156,629 | 398,515 |
| - | 446,846 | (446,846) |
| 555,144 | 603,475 | (48,331) |
| | | |
| 48,171 | (16,122) | (64,293) |
| | | |
| - | - | - |
| (45,971) | - | 45,971 |
| (45,971) | - | 45,971 |
| | | |
| 2,200 | (16,122) | (18,322) |
| 15,680 | 15,680 | - |
| 17,880 | (442) | (18,322) |

Revenues

Intergovernmental
 Charges for services
 Use of money and property
 Other revenues

Total Revenues

Expenditures

Current:
 Community development
 Capital outlay

Total Expenditures

Excess (deficiency) of revenues over expenditures

Other Financing Sources (Uses)

Transfers in
 Transfers out

Total Other Financing Sources (Uses)

Net change in fund balances
 Fund balances - beginning

Fund Balances - Ending

continued

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

For the Year Ended June 30, 2019

| | Police Department Special Revenues | | |
|---|------------------------------------|-------------------|---|
| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| Revenues | | | |
| Intergovernmental | \$ - | - | - |
| Charges for services | - | - | - |
| Use of money and property | 1,400 | 6,382 | 4,982 |
| Other revenues | 25,000 | 55,744 | 30,744 |
| Total Revenues | 26,400 | 62,126 | 35,726 |
| Expenditures | | | |
| Current: | | | |
| Public safety | 25,000 | 45,752 | (20,752) |
| Total Expenditures | 25,000 | 45,752 | (20,752) |
| Excess (deficiency) of revenues over expenditures | 1,400 | 16,374 | 14,974 |
| Net change in fund balances | 1,400 | 16,374 | 14,974 |
| Fund balances - beginning | 188,999 | 188,999 | - |
| Fund Balances - Ending | \$ 190,399 | 205,373 | 14,974 |

| Fire Department Special Revenues | | |
|----------------------------------|-------------------|---|
| Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| 584,276 | 567,829 | (16,447) |
| - | - | - |
| 300 | 4,455 | 4,155 |
| 33,836 | 36,527 | 2,691 |
| 618,412 | 608,811 | (9,601) |
| | | |
| 618,112 | 582,948 | 35,164 |
| 618,112 | 582,948 | 35,164 |
| | | |
| 300 | 25,863 | 25,563 |
| | | |
| 300 | 25,863 | 25,563 |
| 30,160 | 30,160 | - |
| 30,460 | 56,023 | 25,563 |

Revenues

Intergovernmental
 Charges for services
 Use of money and property
 Other revenues

Total Revenues

Expenditures

Current:
 Public safety

Total Expenditures

Excess (deficiency) of revenues over expenditures

Net change in fund balances
 Fund balances - beginning

Fund Balances - Ending

continued

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

For the Year Ended June 30, 2019

| | Landscape and Lighting District | | |
|---|---------------------------------|----------------|-----------------|
| | Final Budgeted | Actual | Variance with |
| | Amounts | Amounts | Final Budget - |
| | | | Positive |
| | | | (Negative) |
| Revenues | | | |
| Special assessments | \$ 497,740 | 502,456 | 4,716 |
| Charges for services | - | - | - |
| Use of money and property | 1,370 | 3,132 | 1,762 |
| Other revenues | - | - | - |
| Total Revenues | 499,110 | 505,588 | 6,478 |
| Expenditures | | | |
| Current: | | | |
| General government | 57,159 | 57,159 | - |
| Public works | 540,757 | 601,367 | (60,610) |
| Total Expenditures | 597,916 | 658,526 | (60,610) |
| Excess (deficiency) of revenues over expenditures | (98,806) | (152,938) | (54,132) |
| Other Financing Sources (Uses) | | | |
| Transfers in | 177,630 | 197,392 | 19,762 |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | 177,630 | 197,392 | 19,762 |
| Net change in fund balances | 78,824 | 44,454 | (34,370) |
| Fund balances - beginning | 98,817 | 98,817 | - |
| Fund Balances - Ending | \$ 177,641 | 143,271 | (34,370) |

| Final Budgeted Amounts | Actual Amounts | Special Deposits Variance with Final Budget - Positive (Negative) |
|---------------------------|-------------------|---|
| - | - | - |
| - | - | - |
| 4,000 | 25,506 | 21,506 |
| - | - | - |
| 4,000 | 25,506 | 21,506 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | 21,506 |
| - | - | - |
| - | - | - |
| - | - | - |
| 4,000 | 25,506 | 21,506 |
| 165,207 | 165,207 | - |
| 169,207 | 190,713 | 21,506 |

Revenues

Special assessments
 Charges for services
 Use of money and property
 Other revenues

Total Revenues

Expenditures

Current:
 General government
 Public works

Total Expenditures

Excess (deficiency) of revenues over expenditures

Other Financing Sources (Uses)

Transfers in
 Transfers out

Total Other Financing Sources (Uses)

Net change in fund balances

Fund balances - beginning

Fund Balances - Ending

continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Nonmajor Special Revenue Funds (continued)
For the Year Ended June 30, 2019**

| | Final Budgeted Amounts | Actual Amounts | Big League Dreams Variance with Final Budget - Positive (Negative) |
|---|-----------------------------------|---------------------------|---|
| Revenues | | | |
| Use of money and property | \$ 194,737 | 209,309 | 14,572 |
| Other revenues | - | - | - |
| Total Revenues | 194,737 | 209,309 | 14,572 |
| Expenditures | | | |
| Current: | | | |
| General government | 6,500 | 1,850 | 4,650 |
| Total Expenditures | 6,500 | 1,850 | 4,650 |
| Excess (deficiency) of revenues over expenditures | 188,237 | 207,459 | 19,222 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Transfers out | (379,545) | (379,545) | - |
| Total Other Financing Sources (Uses) | (379,545) | (379,545) | - |
| Net change in fund balances | (191,308) | (172,086) | 19,222 |
| Fund balances - beginning | 3,555,974 | 3,555,974 | - |
| Fund Balances - Ending | \$ 3,364,666 | 3,383,888 | 19,222 |

THIS PAGE LEFT BLANK INTENTIONALLY.

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2019**

| | Police and Fire Facilities | Traffic Signalization | Assessment District 85-1 | Assessment District 86-1 |
|---|---------------------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| Assets | | | | |
| Cash and investments | \$ 147,238 | 113,532 | 254,235 | - |
| Receivables: | | | | |
| Interest | 767 | 591 | 1,324 | - |
| Accounts | - | - | - | 60 |
| Restricted assets: | | | | |
| Cash and investments held with fiscal agent | - | - | - | - |
| Total Assets | \$ 148,005 | 114,123 | 255,559 | 60 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Intergovernmental payable | \$ - | - | - | 60 |
| Total Liabilities | - | - | - | 60 |
| Fund balances: | | | | |
| Restricted | 148,005 | 114,123 | 255,559 | - |
| Total Fund Balances | 148,005 | 114,123 | 255,559 | - |
| Total Liabilities and Fund Balances | \$ 148,005 | 114,123 | 255,559 | 60 |

| Assessment District 86-5 | Assessment District 87-2 | Assessment District 88-3 |
|-------------------------------------|-------------------------------------|-------------------------------------|
| 546,986 | 13,133 | 264,616 |
| 2,850 | 68 | 1,379 |
| - | - | - |
| - | - | - |
| <u>549,836</u> | <u>13,201</u> | <u>265,995</u> |
| - | - | - |
| - | - | - |
| 549,836 | 13,201 | 265,995 |
| <u>549,836</u> | <u>13,201</u> | <u>265,995</u> |
| <u>549,836</u> | <u>13,201</u> | <u>265,995</u> |

Assets

Cash and investments

Receivables:

Interest

Accounts

Restricted assets:

Cash and investments held with fiscal agent

Total Assets

Liabilities and Fund Balances

Liabilities:

Intergovernmental payable

Total Liabilities

Fund balances:

Restricted

Total Fund Balances

Total Liabilities and Fund Balances

continued

**Combining Balance Sheet
Nonmajor Capital Projects Funds (continued)
June 30, 2019**

| | Assessment District 96-1 | Assessment District 2001-01 | CFD Rio Vista | Assessment District 2003-01 |
|---|-----------------------------|--------------------------------|------------------|--------------------------------|
| Assets | | | | |
| Cash and investments | 487,467 | 65,860 | 4,196 | 842,214 |
| Receivables: | | | | |
| Interest | - | - | - | - |
| Accounts | - | - | - | - |
| Restricted assets: | | | | |
| Cash and investments held with fiscal agent | - | 79 | - | - |
| Total Assets | 487,467 | 65,939 | 4,196 | 842,214 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Intergovernmental payable | | | | |
| Total Liabilities | - | - | - | - |
| Fund balances: | | | | |
| Restricted | 487,467 | 65,939 | 4,196 | 842,214 |
| Total Fund Balances | 487,467 | 65,939 | 4,196 | 842,214 |
| Total Liabilities and Fund Balances | 487,467 | 65,939 | 4,196 | 842,214 |

| Assessment District 2004-01 | Assessment District 2004-02 | Total | |
|--------------------------------|--------------------------------|------------------|---|
| 207,753 | 121,483 | 3,068,713 | Assets |
| - | - | 6,979 | Cash and investments |
| - | - | 60 | Receivables: |
| - | - | 79 | Interest |
| <u>207,753</u> | <u>121,483</u> | <u>3,075,831</u> | Accounts |
| | | | Restricted assets: |
| | | | Cash and investments held with fiscal agent |
| | | | Total Assets |
| | | | Liabilities and Fund Balances |
| | | 60 | Liabilities: |
| | | <u>60</u> | Intergovernmental payable |
| | | | Total Liabilities |
| | | | Fund balances: |
| 207,753 | 121,483 | 3,075,771 | Restricted |
| <u>207,753</u> | <u>121,483</u> | <u>3,075,771</u> | Total Fund Balances |
| <u>207,753</u> | <u>121,483</u> | <u>3,075,831</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, 2019

| | Police and Fire Facilities | Traffic Signalization | Assessment District 85-1 | Assessment District 86-1 |
|---|---------------------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| Revenues | | | | |
| Development fees | \$ 46,700 | 23,350 | - | - |
| Use of money and property | 4,029 | 3,275 | 8,033 | 2,765 |
| Total Revenues | 50,729 | 26,625 | 8,033 | 2,765 |
| Expenditures | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| Capital outlay | - | - | - | 300,994 |
| Total Expenditures | - | - | - | 300,994 |
| Excess (deficiency) of revenues over expenditures | 50,729 | 26,625 | 8,033 | (298,229) |
| Net change in fund balances | 50,729 | 26,625 | 8,033 | (298,229) |
| Fund balances - beginning | 97,276 | 87,498 | 247,526 | 298,229 |
| Fund Balances - Ending | \$ 148,005 | 114,123 | 255,559 | - |

| Assessment District 86-5 | Assessment District 87-2 | Assessment District 88-3 |
|-----------------------------|-----------------------------|-----------------------------|
| - | - | - |
| 17,284 | 415 | 8,051 |
| 17,284 | 415 | 8,051 |
| - | - | - |
| - | - | - |
| - | - | - |
| 17,284 | 415 | 8,051 |
| 17,284 | 415 | 8,051 |
| 532,552 | 12,786 | 257,944 |
| 549,836 | 13,201 | 265,995 |

Revenues

Development fees
Use of money and property

Total Revenues

Expenditures

Current:

Community development
Capital outlay

Total Expenditures

Excess (deficiency) of revenues over expenditures

Net change in fund balances

Fund balances - beginning

Fund Balances - Ending

continued

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds (continued)
For the Year Ended June 30, 2019

| | Assessment District 96-1 | Assessment District 2001-01 | CFD Rio Vista | Assessment District 2003-01 |
|---|-----------------------------|--------------------------------|------------------|--------------------------------|
| Revenues | | | | |
| Development fees | - | - | - | - |
| Use of money and property | - | 1 | - | - |
| Total Revenues | - | 1 | - | - |
| Expenditures | | | | |
| Current: | | | | |
| Community development | - | - | 245,359 | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | - | - | 245,359 | - |
| Excess (deficiency) of revenues over expenditures | - | 1 | (245,359) | - |
| Net change in fund balances | - | 1 | (245,359) | - |
| Fund balances - beginning | 487,467 | 65,938 | 249,555 | 842,214 |
| Fund Balances - Ending | 487,467 | 65,939 | 4,196 | 842,214 |

| Assessment District 2004-01 | Assessment District 2004-02 | Total | |
|--------------------------------|--------------------------------|------------------|---|
| - | - | 70,050 | Revenues |
| - | - | 43,853 | Development fees |
| - | - | 113,903 | Use of money and property |
| | | | Total Revenues |
| | | | Expenditures |
| | | | Current: |
| - | - | 245,359 | Community development |
| - | 354,367 | 655,361 | Capital outlay |
| - | 354,367 | 900,720 | Total Expenditures |
| - | (354,367) | (786,817) | Excess (deficiency) of revenues over expenditures |
| - | (354,367) | (786,817) | Net change in fund balances |
| 207,753 | 475,850 | 3,862,588 | Fund balances - beginning |
| 207,753 | 121,483 | 3,075,771 | Fund Balances - Ending |

THIS PAGE LEFT BLANK INTENTIONALLY.

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 (Fund 611).** 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 (Fund 612).** 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 (Fund 613).** 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 (Fund 614).** 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, 2019**

| | Equipment Replacement | Insurance | Technology | Facilities | Total |
|-------------------------------------|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 3,921,858 | 14,350,936 | 445,395 | 1,964,749 | 20,682,938 |
| Receivables: | | | | | |
| Interest | 20,433 | 74,768 | 2,321 | 9,976 | 107,498 |
| Accounts | - | 346 | - | 2,350 | 2,696 |
| Deposits with PERMA | - | 2,789,063 | - | - | 2,789,063 |
| Prepaid assets | - | 1,456 | - | - | 1,456 |
| Inventories | 32,276 | - | - | - | 32,276 |
| Total Current Assets | 3,974,567 | 17,216,569 | 447,716 | 1,977,075 | 23,615,927 |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Vehicles and equipment | 8,797,445 | - | - | - | 8,797,445 |
| Construction in progress | - | - | 490,893 | - | 490,893 |
| Accumulated depreciation | (6,603,863) | - | - | - | (6,603,863) |
| Net capital assets | 2,193,582 | - | 490,893 | - | 2,684,475 |
| Total Noncurrent Assets | 2,193,582 | - | 490,893 | - | 2,684,475 |
| Total Assets | 6,168,149 | 17,216,569 | 938,609 | 1,977,075 | 26,300,402 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 6,396 | 25,471 | 10,183 | - | 42,050 |
| Claims payable | - | 1,000,000 | - | - | 1,000,000 |
| Unearned revenue | - | 3,912 | - | - | 3,912 |
| Total Current Liabilities | 6,396 | 1,029,383 | 10,183 | - | 1,045,962 |
| Noncurrent liabilities: | | | | | |
| Claims payable | - | 3,323,786 | - | - | 3,323,786 |
| Total Noncurrent Liabilities | - | 3,323,786 | - | - | 3,323,786 |
| Total Liabilities | 6,396 | 4,353,169 | 10,183 | - | 4,369,748 |
| Net Position | | | | | |
| Investment in capital assets | 2,193,582 | - | 490,893 | - | 2,684,475 |
| Unrestricted | 3,968,171 | 12,863,400 | 437,533 | 1,977,075 | 19,246,179 |
| Total Net Position | \$ 6,161,753 | 12,863,400 | 928,426 | 1,977,075 | 21,930,654 |

Combining Statement of Revenues, Expenditures, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2019

| | Equipment Replacement | Insurance | Technology | Facilities | Total |
|------------------------------------|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Operating Revenues | | | | | |
| Charges for services | \$ 754,352 | 11,182,691 | 29,493 | 475,300 | 12,441,836 |
| Other revenue | 18,115 | 59,179 | - | 27,580 | 104,874 |
| Total Operating Revenues | 772,467 | 11,241,870 | 29,493 | 502,880 | 12,546,710 |
| Operating Expenses | | | | | |
| Insurance claims and expenses | - | 8,130,675 | - | - | 8,130,675 |
| Depreciation | 544,975 | - | - | - | 544,975 |
| Total Operating Expenses | 544,975 | 8,130,675 | - | - | 8,675,650 |
| Operating income | 227,492 | 3,111,195 | 29,493 | 502,880 | 3,871,060 |
| Nonoperating Revenues | | | | | |
| Interest and investment income | 114,496 | 542,087 | 15,611 | 51,788 | 723,982 |
| Total Nonoperating Revenues | 114,496 | 542,087 | 15,611 | 51,788 | 723,982 |
| Income before transfers | 341,988 | 3,653,282 | 45,104 | 554,668 | 4,595,042 |
| Transfers in | 154,851 | - | - | - | 154,851 |
| Change in net position | 496,839 | 3,653,282 | 45,104 | 554,668 | 4,749,893 |
| Total net position - beginning | 5,664,914 | 9,210,118 | 883,322 | 1,422,407 | 17,180,761 |
| Total Net Position - Ending | \$ 6,161,753 | 12,863,400 | 928,426 | 1,977,075 | 21,930,654 |

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

| | Equipment Replacement | Insurance | Technology |
|---|----------------------------------|-------------------|-------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from customers and user departments | \$ 772,687 | 10,893,314 | 29,493 |
| Payments to suppliers for goods and services | 59,812 | (8,872,853) | (2,129) |
| Net Cash Provided by Operating Activities | 832,499 | 2,020,461 | 27,364 |
| Cash Flows From Noncapital Financing Activities | | | |
| Transfers in | 154,851 | - | - |
| Net Cash Provided by Noncapital Financing Activities | 154,851 | - | - |
| Cash Flows From Capital and Related Financing Activities | | | |
| Capital asset acquisitions | (342,113) | - | (147,493) |
| Net Cash (Used) by Capital and Related Financing Activities | (342,113) | - | (147,493) |
| Cash Flows From Investing Activities | | | |
| Interest received | 108,120 | 519,273 | 15,727 |
| Net Cash Provided by Investing Activities | 108,120 | 519,273 | 15,727 |
| Net increase (decrease) in cash and cash equivalents | 753,357 | 2,539,734 | (104,402) |
| Cash and cash equivalents - beginning | 3,168,501 | 11,811,202 | 549,797 |
| Cash and Cash Equivalents - Ending | \$ 3,921,858 | 14,350,936 | 445,395 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income | 227,492 | 3,111,195 | 29,493 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 544,975 | - | - |
| Accounts receivable | 220 | 106,685 | - |
| Deposits with PERMA | - | (452,203) | - |
| Prepaid assets | 113,149 | (29) | - |
| Inventories | (1,409) | - | - |
| Accounts payable | (51,927) | (53,412) | (2,129) |
| Unearned revenue | - | (3,039) | - |
| Claims payable | - | (688,737) | - |
| Net Cash Provided by Operating Activities | \$ 832,500 | 2,020,460 | 27,364 |

| <u>Facilities</u> | <u>Total</u> | |
|-------------------|-------------------|---|
| | | Cash Flows From Operating Activities |
| 503,585 | 12,199,079 | Receipts from customers and user departments |
| - | (8,815,170) | Payments to suppliers for goods and services |
| <u>503,585</u> | <u>3,383,909</u> | Net Cash Provided by Operating Activities |
| | | Cash Flows From Noncapital Financing Activities |
| - | 154,851 | Transfers in |
| <u>-</u> | <u>154,851</u> | Net Cash Provided by Noncapital Financing Activities |
| | | Cash Flows From Capital and Related Financing Activities |
| - | (489,606) | Capital asset acquisitions |
| <u>-</u> | <u>(489,606)</u> | Net Cash (Used) by Capital and Related Financing Activities |
| | | Cash Flows From Investing Activities |
| 48,081 | 691,201 | Interest received |
| <u>48,081</u> | <u>691,201</u> | Net Cash Provided by Investing Activities |
| 551,666 | 3,740,355 | Net increase (decrease) in cash and cash equivalents |
| <u>1,413,083</u> | <u>16,942,583</u> | Cash and cash equivalents - beginning |
| <u>1,964,749</u> | <u>20,682,938</u> | Cash and Cash Equivalents - Ending |
| | | Reconciliation of Operating Income to Net Cash Provided by Operating Activities: |
| 502,880 | 3,871,060 | Operating Income |
| | | Adjustments to reconcile operating income to net cash provided by operating activities: |
| - | 544,975 | Depreciation |
| 705 | 107,610 | Accounts receivable |
| - | (452,203) | Deposits with PERMA |
| - | 113,120 | Prepaid assets |
| - | (1,409) | Inventories |
| - | (107,468) | Accounts payable |
| - | (3,039) | Unearned revenue |
| - | (688,737) | Claims payable |
| <u>503,585</u> | <u>3,383,909</u> | Net Cash Provided by Operating Activities |

THIS PAGE LEFT BLANK INTENTIONALLY.

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 (Fund 530).** 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 (Fund 536).** Accounts for principal and interest payments on long-term debt of the Successor Agency.
3. **Successor Agency Administration (Fund 540).** 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 (Fund 541).** Accounts for other costs related to the payment of enforceable obligations of the former redevelopment agency.
5. **Successor Agency 2007 Series A TAB (Fund 550).** Accounts for ROPS-approved uses of 2007 Tax Allocation Bonds, Series A proceeds of the former redevelopment agency.
6. **Successor Agency 2007 Series C TAB (Fund 552).** 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 (Fund 448).** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Refunding Bonds (2004).
2. **Assessment District 2001-01 (Fund 449).** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds.
3. **Rio Vista Community Facilities District (Fund 451).** 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 (Fund 452).** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds (35th Avenue).
5. **Assessment District 2004-01 (Fund 453).** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds (Dream Homes).
6. **Assessment District 2004-02 (Fund 454).** Accounts for special assessments receipts and principal and interest payments on the Limited Obligation Improvement Bonds (Cove Improvement).

**Combining Statement of Fiduciary
Private-Purpose Trust Funds - Successor Agency Trust
June 30, 2019**

| | Redevelopment Obligation Retirement | Successor Agency 2014 Series A/B/C TABs | Successor Agency Administration |
|---|---|--|---------------------------------------|
| Assets | | | |
| Cash and investments | \$ 10,979,610 | - | - |
| Receivables: | | | |
| Interest | 57,342 | - | - |
| Prepaid assets | - | 556,950 | - |
| Restricted assets: | | | |
| Held with Successor Agency | - | - | - |
| Cash and investments held with fiscal agent | - | 2,886 | - |
| Total Assets | \$ 11,036,952 | 559,836 | - |
| Liabilities | | | |
| Accounts payable | - | - | - |
| Accrued interest | - | 1,229,509 | - |
| Noncurrent liabilities: | | | |
| Due in one year | - | 3,455,000 | - |
| Due in more than one year | - | 63,034,677 | - |
| Total Liabilities | - | 67,719,186 | - |
| Net Position | | | |
| Restricted for: | | | |
| Held in trust for other purposes | 11,036,952 | (67,159,350) | - |
| Total Net Position | \$ 11,036,952 | (67,159,350) | - |

| Successor Agency Other | Successor Agency 2007 Series A TAB | Successor Agency 2007 Series C TAB | Total | |
|---------------------------|--|--|---------------------|---|
| - | 42,021 | 398,290 | 11,419,921 | Assets |
| - | 2,843 | 5,890 | 66,075 | Cash and investments |
| - | - | - | 556,950 | Receivables: |
| - | 410,358 | 596,289 | 1,006,647 | Interest |
| - | - | - | 2,886 | Prepaid assets |
| - | 455,222 | 1,000,469 | 13,052,479 | Restricted assets: |
| - | - | - | - | Held with Successor Agency |
| 15,983,871 | - | - | - | Cash and investments held with fiscal agent |
| 15,983,871 | 100,271 | - | 83,803,328 | Total Assets |
| - | - | - | - | Liabilities |
| - | 100,271 | - | 100,271 | Accounts payable |
| - | - | - | 1,229,509 | Accrued interest |
| - | - | - | 3,455,000 | Noncurrent liabilities: |
| - | - | - | 79,018,548 | Due in one year |
| - | - | - | - | Due in more than one year |
| 15,983,871 | 100,271 | - | 83,803,328 | Total Liabilities |
| (15,983,871) | 354,951 | 1,000,469 | (70,750,849) | Net Position |
| (15,983,871) | 354,951 | 1,000,469 | (70,750,849) | Restricted for: |
| | | | | Held in trust for other purposes |
| | | | | 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, 2019**

| | Redevelopment Obligation Retirement | Successor Agency 2014 Series A/B/C TABs | Successor Agency Administration |
|---------------------------------------|---|--|---------------------------------------|
| Additions | | | |
| Taxes | \$ 14,734,339 | - | - |
| Use of money and property | 116,564 | 2,635 | 408 |
| Total Additions | 14,850,903 | 2,635 | 408 |
| Deductions | | | |
| Administrative expenses | - | 37,369 | 262 |
| Contractual services | 25,994 | - | 765 |
| Interest expense | - | 2,555,452 | - |
| Contributions to other governments | 8,059,015 | - | 176,169 |
| Total Deductions | 8,085,009 | 2,592,821 | 177,196 |
| Transfers In (Out) | | | |
| Transfers in | (408) | (6,325,634) | (177,196) |
| Transfers out | 6,502,939 | - | 408 |
| Total Transfers In (Out) | 6,502,531 | (6,325,634) | (176,788) |
| Change in net position | 263,363 | 3,735,448 | - |
| Net Position - beginning of the year | 10,773,589 | (70,894,798) | - |
| Net Position - End of the Year | \$ 11,036,952 | (67,159,350) | - |

| Successor Agency Other | Successor Agency 2007 Series A TAB | Successor Agency 2007 Series C TAB | Total | |
|---------------------------|--|--|---------------------|--|
| - | - | - | 14,734,339 | Additions Taxes |
| - | 11,494 | 22,863 | 153,964 | Use of money and property |
| <u>-</u> | <u>11,494</u> | <u>22,863</u> | <u>14,888,303</u> | Total Additions |
| - | - | - | 37,631 | Deductions Administrative expenses |
| - | 200,542 | 113,714 | 341,015 | Contractual services |
| 1,252,141 | - | - | 3,807,593 | Interest expense |
| - | 247,791 | - | 8,482,975 | Contributions to other governments |
| <u>1,252,141</u> | <u>448,333</u> | <u>113,714</u> | <u>12,669,214</u> | Total Deductions |
| (109) | - | - | (6,503,347) | Transfers In (Out) Transfers in |
| - | - | - | 6,503,347 | Transfers out |
| <u>(109)</u> | <u>-</u> | <u>-</u> | <u>-</u> | Total Transfers In (Out) |
| (1,252,032) | (436,839) | (90,851) | 2,219,089 | Change in net position |
| (14,731,839) | 791,790 | 1,091,320 | (72,969,938) | Net Position - beginning of the year |
| <u>(15,983,871)</u> | <u>354,951</u> | <u>1,000,469</u> | <u>(70,750,849)</u> | Net Position - End of the Year |

THIS PAGE LEFT BLANK INTENTIONALLY.

Combining Statement of Changes in Assets and Liabilities— Agency Funds

For the Year Ended June 30, 2019

| | Balance July 1 | Additions | Deductions | Balance June 30 |
|--|-------------------|------------------|------------------|--------------------|
| Assessment District 96-1 | | | | |
| Assets | | | | |
| Cash and investments | \$ 796,591 | 470,224 | 422,922 | 843,893 |
| Receivables: | | | | |
| Interest | 6,035 | 19,123 | 18,222 | 6,936 |
| Special assessments | 12,667 | 5,497 | 12,667 | 5,497 |
| Restricted cash and investments: | | | | |
| Held with fiscal agent | - | 373,999 | 373,999 | - |
| Total Assets | \$ 815,293 | 868,843 | 827,810 | 856,326 |
| Liabilities | | | | |
| Accounts payable | \$ - | 388,518 | 388,518 | - |
| Due to bondholders | 815,293 | 450,708 | 409,675 | 856,326 |
| Total Liabilities | \$ 815,293 | 839,226 | 798,193 | 856,326 |
| Assessment District 2001-01 | | | | |
| Assets | | | | |
| Cash and investments | \$ 328,806 | 261,797 | 254,987 | 335,616 |
| Receivables: | | | | |
| Interest | 1,750 | 5,626 | 5,286 | 2,091 |
| Special assessments | 2,957 | 3,868 | 3,006 | 3,819 |
| Restricted cash and investments: | | | | |
| Held with fiscal agent | 21 | 244,624 | 244,609 | 35 |
| Total Assets | \$ 333,534 | 515,915 | 507,888 | 341,561 |
| Liabilities | | | | |
| Accounts payable | \$ - | 52,416 | 52,416 | - |
| Due to bondholders | 333,534 | 262,689 | 254,662 | 341,561 |
| Total Liabilities | \$ 333,534 | 315,105 | 307,078 | 341,561 |
| Rio Vista Community Facilities District | | | | |
| Assets | | | | |
| Cash and investments | \$ 121,272 | 1,416,072 | 1,415,808 | 121,536 |
| Receivables: | | | | |
| Interest | 1,071 | 2,818 | 3,234 | 655 |
| Special assessments | 259,588 | 1,768 | 121,739 | 139,617 |
| Restricted cash and investments: | | | | |
| Held with fiscal agent | 437,125 | 1,505,539 | 1,051,724 | 890,940 |
| Total Assets | \$ 819,056 | 2,926,197 | 2,592,505 | 1,152,748 |
| Liabilities | | | | |
| Accounts payable | \$ 1,718 | 1,409,259 | 1,409,025 | 1,952 |
| Due to bondholders | 817,338 | 1,428,895 | 1,095,437 | 1,150,796 |
| Total Liabilities | \$ 819,056 | 2,838,154 | 2,504,462 | 1,152,748 |

continued

**Combining Statement of Changes in Assets and Liabilities—
Agency Funds (continued)**
For the Year Ended June 30, 2019

| | Balance July 1 | Additions | Deductions | Balance June 30 |
|------------------------------------|---------------------|------------------|------------------|--------------------|
| Assessment District 2003-01 | | | | |
| Assets | | | | |
| Cash and investments | \$ 618,622 | 490,384 | 439,648 | 669,359 |
| Receivables: | | | | |
| Interest | 6,481 | 20,959 | 19,564 | 7,875 |
| Special assessments | 11,155 | 6,611 | 11,155 | 6,611 |
| Restricted cash and investments: | | | | |
| Held with fiscal agent | - | 424,170 | 424,170 | - |
| Total Assets | \$ 636,258 | 942,124 | 894,537 | 683,845 |
| Liabilities | | | | |
| Accounts payable | \$ - | 433,045 | 433,045 | - |
| Due to bondholders | 636,258 | 485,620 | 438,033 | 683,845 |
| Total Liabilities | \$ 636,258 | 918,665 | 871,078 | 683,845 |
| Assessment District 2004-01 | | | | |
| Assets | | | | |
| Cash and investments | \$ 589,016 | 648,464 | 622,928 | 614,552 |
| Receivables: | | | | |
| Interest | 3,535 | 11,420 | 10,671 | 4,284 |
| Special assessments | 45,887 | 38,546 | 45,887 | 38,546 |
| Restricted cash and investments: | | | | |
| Held with fiscal agent | - | 602,122 | 602,122 | - |
| Total Assets | \$ 638,438 | 1,300,553 | 1,281,608 | 657,383 |
| Liabilities | | | | |
| Accounts payable | \$ - | 613,220 | 613,220 | - |
| Due to bondholders | 638,438 | 443,353 | 424,408 | 657,383 |
| Total Liabilities | \$ 638,438 | 1,056,573 | 1,037,628 | 657,383 |
| Assessment District 2004-02 | | | | |
| Assets | | | | |
| Cash and investments | \$ 2,021,718 | 2,032,705 | 2,112,441 | 1,941,982 |
| Receivables: | | | | |
| Interest | 11,080 | 33,120 | 33,450 | 10,750 |
| Special assessments | 49,591 | 63,394 | 49,591 | 63,394 |
| Restricted cash and investments: | | | | |
| Held with fiscal agent | - | 2,070,325 | 2,070,325 | - |
| Total Assets | \$ 2,082,389 | 4,199,546 | 4,265,807 | 2,016,128 |
| Liabilities | | | | |
| Accounts payable | \$ - | 2,087,555 | 2,087,555 | - |
| Due to bondholders | 2,082,389 | 2,045,549 | 2,111,810 | 2,016,128 |
| Total Liabilities | \$ 2,082,389 | 4,133,104 | 4,199,365 | 2,016,128 |

continued

**Combining Statement of Changes in Assets and Liabilities—
Agency Funds (continued)**
For the Year Ended June 30, 2019

| | <u>Balance July 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30</u> |
|----------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
| Total — All Agency Funds | | | | |
| Assets | | | | |
| Cash and investments | \$ 4,476,025 | 5,319,647 | 5,268,734 | 4,526,938 |
| Receivables: | | | | |
| Interest | 29,952 | 93,067 | 90,426 | 32,593 |
| Special assessments | 381,845 | 119,684 | 244,045 | 257,484 |
| Restricted cash and investments: | | | | |
| Held with fiscal agent | 437,146 | 5,220,779 | 4,766,950 | 890,976 |
| Total Assets | <u>\$ 5,324,968</u> | <u>10,753,177</u> | <u>10,370,155</u> | <u>5,707,991</u> |
| Liabilities | | | | |
| Accounts payable | \$ 1,718 | 4,984,013 | 4,983,779 | 1,952 |
| Due to bondholders | 5,323,250 | 5,116,814 | 4,734,025 | 5,706,039 |
| Total Liabilities | <u>\$ 5,324,968</u> | <u>10,100,827</u> | <u>9,717,804</u> | <u>5,707,991</u> |

THIS PAGE LEFT BLANK INTENTIONALLY.

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.

156 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.

168 REVENUE CAPACITY

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

180 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.

190 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.

196 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

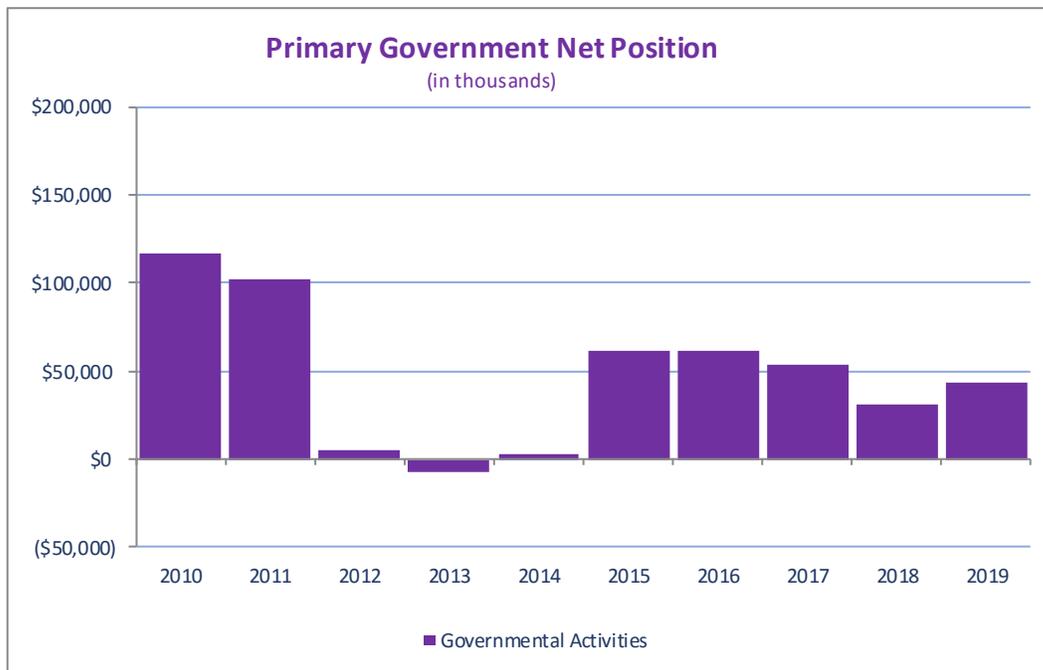
Last Ten Fiscal Years (dollar in thousands – accrual basis of accounting)

| | Fiscal Year | | | | |
|--|----------------|----------------|--------------|----------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental activities: | | | | | |
| Net investment in capital assets | 38,381 | 25,065 | 97,876 | 95,005 | 95,321 |
| Restricted | 118,320 | 128,802 | 65,952 | 51,116 | 58,199 |
| Unrestricted | (40,627) | (51,202) | (158,167) | (153,315) | (150,840) |
| Total governmental activities net position | 116,074 | 102,665 | 5,661 | (7,194) | 2,680 |
| Business-type activities (Note 8): | | | | | |
| Net investment in capital assets | 20 | - | - | - | - |
| Unrestricted | 225 | - | - | - | - |
| Total business-type activities net position | 245 | - | - | - | - |
| Primary government: | | | | | |
| Net investment in capital assets | 38,401 | 25,065 | 97,876 | 95,005 | 95,321 |
| Restricted | 118,320 | 128,802 | 65,952 | 51,116 | 58,199 |
| Unrestricted | (40,402) | (51,202) | (158,167) | (153,315) | (150,840) |
| Total primary government net position | 116,319 | 102,665 | 5,661 | (7,194) | 2,680 |
| | Note 1 | Note 2 | Note 3 | Note 4 | |

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

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|---------------|--|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 150,220 | 153,866 | 148,362 | 158,755 | 164,676 | Governmental activities: |
| 58,485 | 92,298 | 86,986 | 81,329 | 59,708 | Net investment in capital assets |
| (147,400) | (184,264) | (181,885) | (209,315) | (180,835) | Restricted |
| 61,305 | 61,900 | 53,463 | 30,769 | 43,549 | Unrestricted |
| | | | | | Total governmental activities net position |
| - | - | - | - | - | Business-type activities (Note 8): |
| - | - | - | - | - | Net investment in capital assets |
| - | - | - | - | - | Unrestricted |
| | | | | | Total business-type activities net position |
| 150,220 | 153,866 | 148,362 | 158,755 | 164,676 | Primary government: |
| 58,485 | 92,298 | 86,986 | 81,329 | 59,708 | Net investment in capital assets |
| (147,400) | (184,264) | (181,885) | (209,315) | (180,835) | Restricted |
| 61,305 | 61,900 | 53,463 | 30,769 | 43,549 | Unrestricted |
| | | | | | Total primary government net position |

Note 5 Note 6



Changes in Net Position

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

| | Fiscal Year | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | 19,033 | 11,572 | 8,787 | 8,827 | 11,340 |
| Community development | 27,220 | 14,271 | 17,173 | 9,474 | 5,906 |
| Culture and recreation | 675 | 595 | 550 | 562 | 524 |
| Public safety | 25,879 | 26,980 | 28,343 | 23,110 | 24,083 |
| Public works | 6,645 | 6,609 | 7,691 | 7,581 | 7,804 |
| Interest on long-term debt | 12,080 | 11,745 | 11,319 | 10,755 | 10,497 |
| Total governmental activities | 91,532 | 71,772 | 73,863 | 60,309 | 60,154 |
| Business-type activities (Note 1): | | | | | |
| Education | 1,506 | 990 | - | - | - |
| Total business-type activities expenses | 1,506 | 990 | - | - | - |
| Total Primary Government Expenses | 93,038 | 72,762 | 73,863 | 60,309 | 60,154 |
| Program Revenues | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | 3,062 | 2,126 | 2,514 | 2,289 | 2,273 |
| Community development | 892 | 412 | 316 | 63 | 590 |
| Culture and recreation | 2 | 2 | 2 | - | - |
| Public safety | 5,472 | 5,515 | 5,852 | 6,781 | 8,479 |
| Public works | 277 | 735 | 716 | 726 | 759 |
| Operating grants and contributions | 2,744 | 3,393 | 14,833 | 8,110 | 18,598 |
| Capital grants and contributions | 15,707 | 3,772 | 7,838 | 4,329 | 10,052 |
| Total governmental activities program revenue: | 28,156 | 15,955 | 32,071 | 22,298 | 40,751 |
| Business-type activities (Note 1): | | | | | |
| Charges for services: | | | | | |
| Education | 1,439 | 569 | - | - | - |
| Operating grants and contributions | 275 | 799 | - | - | - |
| Total business-type activities program revenue | 1,714 | 1,368 | - | - | - |
| Total Primary Government Program Revenues | 29,870 | 17,323 | 32,071 | 22,298 | 40,751 |
| Net (Expense)/Revenue | | | | | |
| Governmental activities | (63,376) | (55,817) | (41,792) | (38,011) | (19,403) |
| Business-type activities | 208 | 378 | - | - | - |
| Total Primary Government Net Expense | (63,168) | (55,439) | (41,792) | (38,011) | (19,403) |

| Fiscal Year | | | | | |
|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | Expenses |
| | | | | | Governmental activities: |
| 10,543 | 10,550 | 12,378 | 22,668 | 12,914 | General government |
| 4,741 | 7,455 | 12,929 | 5,864 | 6,416 | Community development |
| 695 | 1,134 | 979 | 729 | 1,125 | Culture and recreation |
| 23,005 | 22,324 | 26,663 | 28,948 | 31,259 | Public safety |
| 7,704 | 7,874 | 8,971 | 12,860 | 9,267 | Public works |
| 7,560 | 7,052 | 7,090 | 6,852 | 6,581 | Interest on long-term debt |
| 54,248 | 56,389 | 69,010 | 77,921 | 67,562 | Total governmental activities |
| | | | | | Business-type activities (Note 1): |
| - | - | - | - | - | Education |
| - | - | - | - | - | Total business-type activities expenses |
| 54,248 | 56,389 | 69,010 | 77,921 | 67,562 | Total Primary Government Expenses |
| | | | | | Program Revenues |
| | | | | | Governmental activities: |
| | | | | | Charges for services: |
| 3,541 | 2,888 | 3,512 | 15,764 | 8,471 | General government |
| 459 | 702 | 714 | 1,166 | 1,178 | Community development |
| - | - | - | - | - | Culture and recreation |
| 3,843 | 3,471 | 3,665 | 4,055 | 4,067 | Public safety |
| 761 | 798 | 843 | 906 | 894 | Public works |
| 18,051 | 15,066 | 11,636 | 14,023 | 13,412 | Operating grants and contributions |
| 4,767 | 624 | 2,998 | 14,097 | 7,860 | Capital grants and contributions |
| 31,422 | 23,549 | 23,368 | 50,011 | 35,882 | Total governmental activities program revenues |
| | | | | | Business-type activities (Note 1): |
| | | | | | Charges for services: |
| - | - | - | - | - | Education |
| - | - | - | - | - | Operating grants and contributions |
| - | - | - | - | - | Total business-type activities program revenues |
| 31,422 | 23,549 | 23,368 | 50,011 | 35,882 | Total Primary Government Program Revenues |
| | | | | | Net (Expense)/Revenue |
| (22,826) | (32,840) | (45,642) | (27,910) | (31,680) | Governmental activities |
| - | - | - | - | - | Business-type activities |
| (22,826) | (32,840) | (45,642) | (27,910) | (31,680) | Total Primary Government Net Expense |

continued

Changes in Net Position (continued)

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

| | Fiscal Year | | | | |
|---|-----------------|---------------|-----------------|-----------------|---------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Cannabis/marijuana tax | - | - | - | - | - |
| Franchise tax | 1,855 | 1,851 | 1,866 | 1,882 | 1,980 |
| Property tax | 29,078 | 21,980 | 13,263 | 5,450 | 5,398 |
| Sales tax (Note 2) | 6,222 | 6,572 | 6,895 | 7,823 | 8,929 |
| Transactions and use tax | - | 2,941 | 4,337 | 4,725 | 4,912 |
| Transient occupancy tax/timeshare developer | 1,504 | 1,463 | 1,657 | 1,644 | 1,883 |
| Utility users tax | 2,861 | 2,766 | 2,753 | 2,802 | 2,763 |
| Investment and interest income | 2,888 | 2,157 | 2,394 | 2,620 | 2,953 |
| Other revenues | 776 | 2,353 | 837 | 791 | 460 |
| Extraordinary items | - | - | (84,228) | (2,567) | - |
| Special items | - | - | - | - | - |
| Total governmental activities | 45,184 | 42,083 | (50,226) | 25,170 | 29,278 |
| Business-type activities (Note 1): | | | | | |
| Transfers | - | 34,709 | - | - | - |
| Total business-type activities | - | 34,709 | - | - | - |
| Total Primary Government | 45,184 | 76,792 | (50,226) | 25,170 | 29,278 |
| Changes in Net Position | | | | | |
| Governmental activities | (18,192) | (13,734) | (92,018) | (12,841) | 9,875 |
| Business-type activities | 208 | 35,087 | - | - | - |
| Total Primary Government | (17,984) | 21,353 | (92,018) | (12,841) | 9,875 |

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

| Fiscal Year | | | | | |
|----------------|---------------|----------------|---------------|---------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | General Revenues and Other Changes in Net Position |
| | | | | | Governmental activities: |
| | | | | | Taxes: |
| - | 47 | 450 | 1,894 | 4,607 | Cannabis/marijuana tax |
| 1,995 | 2,021 | 2,146 | 2,114 | 2,231 | Franchise tax |
| 6,306 | 7,429 | 7,869 | 8,626 | 9,128 | Property tax |
| 9,490 | 9,695 | 8,821 | 9,155 | 10,412 | Sale tax (Note 2) |
| 5,327 | 5,821 | 5,658 | 6,105 | 7,289 | Transactions and use tax |
| 2,000 | 2,328 | 3,070 | 3,726 | 4,232 | Transient occupancy tax/timeshare developer |
| 2,803 | 2,754 | 2,717 | 2,699 | 2,692 | Utility user tax |
| 2,867 | 4,296 | 5,117 | 2,713 | 3,498 | Investment and interest income |
| 456 | 318 | 1,357 | 747 | 371 | Other revenues |
| - | - | - | - | - | Extraordinary items |
| 82,563 | (1,274) | - | - | - | Special items |
| 113,807 | 33,435 | 37,205 | 37,779 | 44,460 | Total governmental activities |
| | | | | | Business-type activities (Note 1): |
| - | - | - | - | - | Transfers |
| - | - | - | - | - | Total business-type activities |
| 113,807 | 33,435 | 37,205 | 37,779 | 44,460 | Total Primary Government |
| | | | | | Changes in Net Position |
| 90,981 | 595 | (8,437) | 9,869 | 12,780 | Governmental activities |
| - | - | - | - | - | Business-type activities |
| 90,981 | 595 | (8,437) | 9,869 | 12,780 | Total Primary Government |

Fund Balances of Governmental Funds

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

| | Fiscal Year | | | | |
|---|----------------|----------------|---------------|---------------|---------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Fund (Note 2): | | | | | |
| Reserved | 4,210 | - | - | - | - |
| Unreserved | 12,377 | - | - | - | - |
| Nonspendable | - | 3,746 | 3,603 | 3,558 | 28 |
| Restricted | - | 50 | 50 | 50 | 3,710 |
| Assigned | - | 3,171 | 771 | 4,120 | 4,644 |
| Unassigned | - | 6,825 | 7,337 | 6,728 | 10,605 |
| Total General Fund | 16,587 | 13,792 | 11,761 | 14,456 | 18,987 |
| | | | | Note 5 | |
| All other governmental funds (Notes 2, 3): | | | | | |
| Reserved | 99,386 | - | - | - | - |
| Unreserved: | | | | | |
| Special revenue funds | 5,461 | - | - | - | - |
| Capital projects funds | 64,116 | - | - | - | - |
| Debt service funds | - | - | - | - | - |
| Nonspendable (Note 4) | - | 72,780 | 25,621 | 19,322 | - |
| Restricted (Note 4) | - | 89,579 | 38,736 | 28,914 | 54,567 |
| Assigned | - | - | - | - | 658 |
| Unassigned | - | (455) | (434) | - | - |
| Total all other governmental funds | 168,963 | 161,904 | 63,923 | 48,236 | 55,225 |
| | | 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.

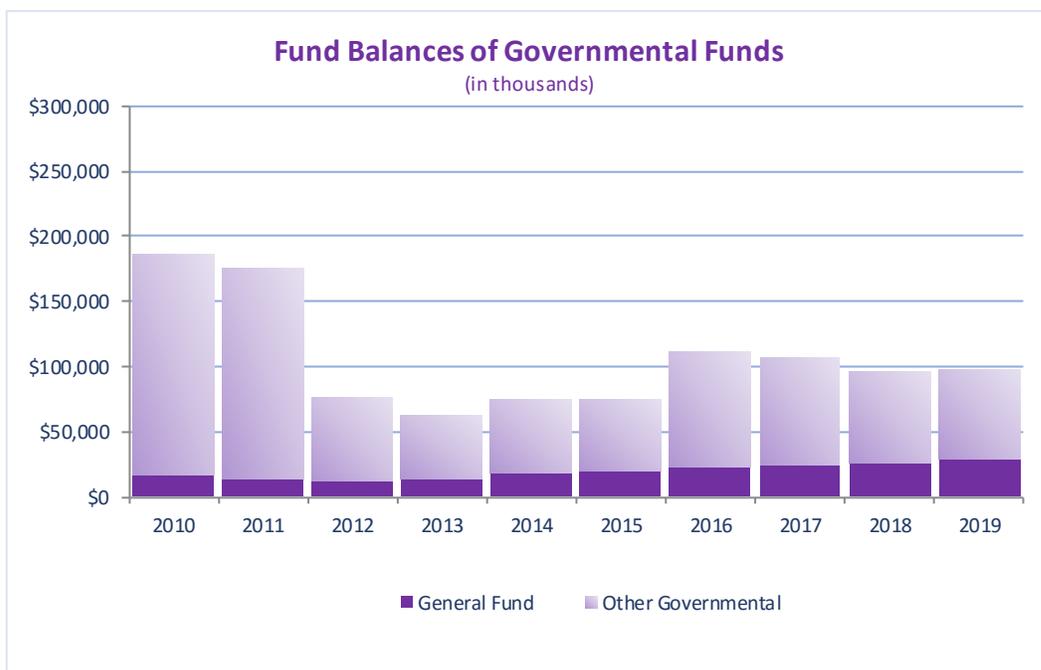
Note 3: Total all other governmental fund balances decreased as of June 30, 2012, as a result of the City's redevelopment agency being dissolved in accordance with AB 1X-26. The dissolution became effective February 1, 2012. All assets of the former redevelopment agency (special revenue, capital projects 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 | | | | | |
|---------------|---------------|---------------|---------------|---------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| - | - | - | - | - | General Fund (Note 2): |
| - | - | - | - | - | Reserved |
| 13 | 48 | 10 | 16 | 6 | Unreserved |
| 3,353 | 3,177 | 2,994 | 2,798 | 2,632 | Nonspendable |
| 680 | 830 | 4,341 | 863 | 833 | Restricted |
| 16,626 | 19,186 | 17,656 | 22,044 | 25,867 | Assigned |
| <u>20,672</u> | <u>23,241</u> | <u>25,001</u> | <u>25,721</u> | <u>29,338</u> | Unassigned |
| | | | | | Total General Fund |
| - | - | - | - | - | All other governmental funds (Notes 2, 3): |
| - | - | - | - | - | Reserved |
| - | - | - | - | - | Unreserved: |
| - | - | - | - | - | Special revenue funds |
| - | - | - | - | - | Capital projects funds |
| - | - | - | - | - | Debt service funds |
| - | 1 | 1 | 2 | 7 | Nonspendable (Note 4) |
| 54,259 | 88,754 | 81,465 | 70,548 | 68,205 | Restricted (Note 4) |
| 172 | 247 | 297 | - | - | Assigned |
| - | - | (79) | - | - | Unassigned |
| <u>54,431</u> | <u>89,002</u> | <u>81,684</u> | <u>70,550</u> | <u>68,212</u> | Total all other governmental funds |



Changes in Fund Balances of Governmental Funds

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-----------------|-----------------|------------------|-----------------|---------------|
| Revenues | | | | | |
| Taxes | 40,636 | 42,128 | 33,231 | 23,816 | 25,011 |
| Intergovernmental | 7,264 | 10,004 | 6,362 | 6,602 | 7,419 |
| Licenses and permits | 954 | 764 | 855 | 857 | 970 |
| Fines and forfeitures | 1,163 | 881 | 734 | 624 | 487 |
| Charges for services | 4,389 | 3,513 | 3,901 | 4,351 | 4,502 |
| Special assessments | 2,710 | 3,182 | 3,562 | 4,028 | 5,755 |
| Development fees | 68 | 98 | 58 | 156 | 74 |
| Use of money and property | 2,826 | 1,731 | 1,352 | 1,029 | 1,181 |
| Contributions from City | - | - | - | - | - |
| Contributions from property owners | 7,648 | 313 | 1,620 | - | 4,532 |
| Contributions from other entities | - | - | - | - | - |
| Contributions from other governments | - | - | 11,240 | 6,839 | 18,980 |
| Other revenue | 554 | 2,352 | 946 | 668 | 848 |
| Total Revenues | 68,212 | 64,966 | 63,861 | 48,970 | 69,759 |
| Expenditures | | | | | |
| General government | 16,399 | 8,254 | 6,478 | 7,329 | 8,439 |
| Community development | 22,090 | 13,111 | 16,159 | 13,215 | 5,384 |
| Culture and recreation | 311 | 271 | 444 | 426 | 254 |
| Public safety | 23,626 | 23,155 | 25,019 | 20,814 | 20,897 |
| Public works | 3,067 | 2,800 | 2,964 | 2,464 | 2,741 |
| Capital outlay | 14,357 | 5,056 | 1,782 | 1,211 | 4,228 |
| Payments under pass-through agreements | 4,803 | 4,494 | 2,089 | - | - |
| Principal retirement | 5,828 | 6,618 | 6,206 | 5,785 | 6,063 |
| Interest | 11,402 | 11,185 | 10,866 | 10,598 | 10,329 |
| Debt issuance costs | - | - | - | - | - |
| Other debt-related costs | 41 | 39 | 31 | - | - |
| Total Expenditures | 101,924 | 74,983 | 72,038 | 61,842 | 58,335 |
| Excess (deficiency) of revenues over (under) expenditures | (33,712) | (10,017) | (8,177) | (12,872) | 11,424 |
| Other Financing Sources (Uses) | | | | | |
| Issuance of debt | 2,015 | - | - | - | 137 |
| Issuance of refunding debt | - | - | - | - | - |
| Proceeds from sale of capital assets | 69 | 396 | - | - | - |
| Gain (loss) on sale of assets held for disposition | 200 | 15 | - | - | - |
| Transfers in | 42,710 | 52,888 | 52,940 | 2,641 | 1,741 |
| Transfers out | (42,775) | (53,462) | (53,056) | (2,714) | (1,782) |
| Total Other Financing Sources (Uses) | 2,219 | (163) | (116) | (73) | 96 |
| Extraordinary items | - | - | (91,719) | - | - |
| Special items | - | - | - | - | - |
| Net Change in Fund Balances | (31,493) | (10,180) | (100,012) | (12,945) | 11,520 |
| Debt service as a % of noncapital expenditures | 19.7% | 25.1% | 24.2% | 28.9% | 30.2% |

Source: City of Cathedral City, Fund Financial Statements

| Fiscal Year | | | | | |
|----------------|---------------|----------------|-----------------|---------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | Revenues |
| 26,776 | 29,775 | 30,566 | 34,319 | 40,590 | Taxes |
| 11,254 | 7,035 | 4,893 | 14,323 | 13,939 | Intergovernmental |
| 1,104 | 1,197 | 1,349 | 1,877 | 2,498 | Licenses and permits |
| 498 | 463 | 597 | 496 | 284 | Fines and forfeitures |
| 6,251 | 5,259 | 6,019 | 7,205 | 7,016 | Charges for services |
| 599 | 561 | 571 | 620 | 651 | Special assessments |
| 222 | 84 | 170 | 678 | 402 | Development fees |
| 917 | 1,991 | 2,738 | 2,625 | 2,775 | Use of money and property |
| - | 794 | - | - | - | Contributions from City |
| - | 3,418 | - | - | - | Contributions from property owners |
| - | - | 1,400 | - | - | Contributions from other entities |
| 13,768 | 8,783 | 8,722 | 8,598 | 8,483 | Contributions from other governments |
| 637 | 670 | 460 | 1,731 | 661 | Other revenue |
| 62,026 | 60,030 | 57,485 | 72,472 | 77,299 | Total Revenues |
| | | | | | Expenditures |
| 9,537 | 8,861 | 9,910 | 11,180 | 11,472 | General government |
| 4,381 | 4,662 | 5,679 | 5,459 | 5,951 | Community development |
| 425 | 742 | 709 | 458 | 854 | Culture and recreation |
| 21,689 | 22,114 | 24,006 | 27,391 | 29,542 | Public safety |
| 3,247 | 2,950 | 3,497 | 3,599 | 4,230 | Public works |
| 6,797 | 4,254 | 8,625 | 20,094 | 12,040 | Capital outlay |
| - | - | - | - | - | Payments under pass-through agreements |
| 85,384 | 10,624 | 5,206 | 7,032 | 5,481 | Principal retirement |
| 8,958 | 6,459 | 6,840 | 6,578 | 6,294 | Interest |
| - | 838 | - | - | - | Debt issuance costs |
| - | - | - | - | - | Other debt-related costs |
| 140,418 | 61,504 | 64,472 | 81,791 | 75,864 | Total Expenditures |
| (78,392) | (1,474) | (6,987) | (9,319) | 1,435 | Excess (deficiency) of revenues over (under) expenditures |
| | | | | | Other Financing Sources (Uses) |
| - | 36,170 | - | - | - | Issuance of debt |
| - | 6,698 | - | - | - | Issuance of refunding debt |
| - | - | 1,448 | 127 | - | Proceeds from sale of capital assets |
| (36) | - | - | - | - | Gain (loss) on sale of assets held for disposition |
| 12,910 | 2,146 | 508 | 678 | 837 | Transfers in |
| (13,517) | (5,128) | (526) | (799) | (992) | Transfers out |
| (643) | 39,886 | 1,430 | 6 | (155) | Total Other Financing Sources (Uses) |
| - | - | - | - | - | Extraordinary items |
| 79,927 | (1,274) | - | (1,102) | - | Special items |
| 892 | 37,138 | (5,557) | (10,415) | 1,280 | Net Change in Fund Balances |
| 70.4% | 29.0% | 19.2% | 20.9% | 15.5% | 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 | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Taxes | | | | | |
| Cannabis/marijuana | - | - | - | - | - |
| Franchise | 1,856 | 1,851 | 1,866 | 1,881 | 1,980 |
| In-lieu VLF property | 3,690 | 3,469 | 3,339 | 3,260 | 3,408 |
| Property | 1,217 | 1,265 | 1,836 | 2,101 | 1,907 |
| Sales | 5,468 | 6,572 | 6,895 | 7,403 | 8,159 |
| Time share developer | 481 | 464 | 521 | 530 | 543 |
| Transactions and use | - | 2,941 | 4,337 | 4,725 | 4,911 |
| Transient occupancy | 1,023 | 999 | 1,136 | 1,114 | 1,340 |
| Utility users | 2,861 | 2,766 | 2,753 | 2,802 | 2,763 |
| Subtotal | 16,596 | 20,327 | 22,683 | 23,816 | 25,011 |
| Property (former RDA tax increment) (Note 1) | 24,040 | 21,801 | 10,548 | - | - |
| Total | 40,636 | 42,128 | 33,231 | 23,816 | 25,011 |

Notes to Schedule:

Note 1: The City's redevelopment agency was dissolved February 1, 2012, in accordance with ABX126. 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.

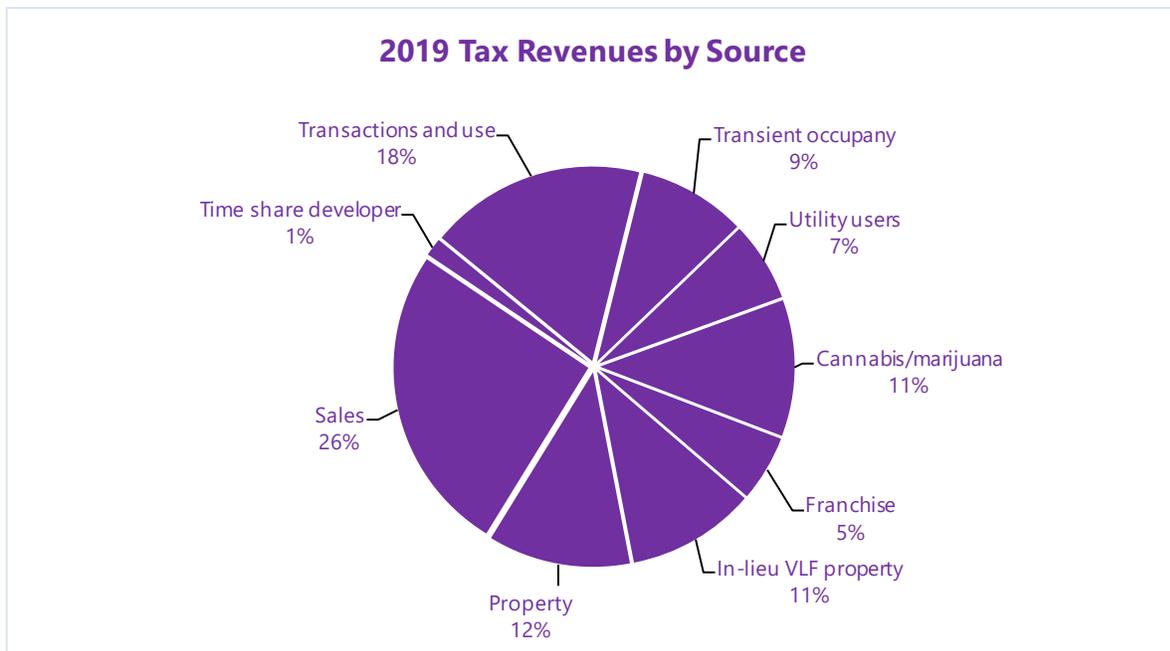
Note 2: As part of the negotiations surrounding a state budget deficit, cities and counties agreed to exchange state general fund revenues they received to offset vehicle license fee (VLF) reductions for a like amount of property tax revenues from ERAF (Education Revenue Augmentation Fund). The VLF/Property 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: Prior to 2008, franchise fees were reported as charges for services.

Source: City of Cathedral City Finance Department

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|---------------|--|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| - | 47 | 450 | 1,894 | 4,607 | Taxes |
| 1,995 | 1,885 | 2,145 | 2,114 | 2,230 | Cannabis/marijuana |
| 3,578 | 3,776 | 3,959 | 4,140 | 4,331 | Franchise |
| 2,647 | 3,575 | 3,847 | 4,486 | 4,797 | In-lieu VLF property |
| 8,427 | 9,596 | 8,727 | 9,155 | 10,412 | Property |
| 552 | 557 | 567 | 579 | 605 | Sales |
| 5,327 | 5,821 | 5,658 | 6,105 | 7,289 | Time share developer |
| 1,447 | 1,771 | 2,504 | 3,147 | 3,627 | Transactions and use |
| 2,803 | 2,747 | 2,709 | 2,699 | 2,692 | Transient occupany |
| 26,776 | 29,775 | 30,566 | 34,319 | 40,590 | Utility users |
| - | - | - | - | - | Subtotal |
| 26,776 | 29,775 | 30,566 | 34,319 | 40,590 | Property (former RDA tax increment) (Note 1) |
| | | | | | Total |



Taxable Sales by Category

Last Ten Calendar Years (dollar in thousands)

| | Calendar Year | | | | |
|--|-------------------|----------------|----------------|----------------|----------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Apparel stores | \$ 8,183 | 8,565 | 10,339 | 9,780 | 10,750 |
| General merchandise | 32,338 | 31,261 | 30,311 | 30,435 | 31,110 |
| Food stores | 30,088 | 27,138 | 26,829 | 26,649 | 27,245 |
| Eating and drinking places | 52,246 | 49,463 | 52,349 | 52,758 | 55,120 |
| Building materials | 27,298 | 18,753 | 19,239 | 23,090 | 27,369 |
| Auto dealers and supplies | 234,465 | 259,574 | 291,893 | 319,991 | 375,943 |
| Service stations | 66,504 | 77,474 | 92,161 | 84,041 | 77,170 |
| Other retail stores | 53,488 | 52,391 | 47,807 | 55,506 | 58,501 |
| All other outlets | 102,223 | 98,077 | 106,856 | 115,092 | 129,638 |
| Total | \$ 606,833 | 622,696 | 677,784 | 717,342 | 792,846 |
| Sales tax rate: | | | | | |
| State rate (Notes 2 through 4) | 7.25% | 7.25% | 6.25% | 6.25% | 6.50% |
| Local rate | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| District rate-Riverside County - Measure A (transit)(Note 6) | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% |
| District rate-Cathedral City - Measures H/B (Note 5) | 0.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Total sales tax rate | 8.75% | 9.75% | 8.75% | 8.75% | 9.00% |

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.

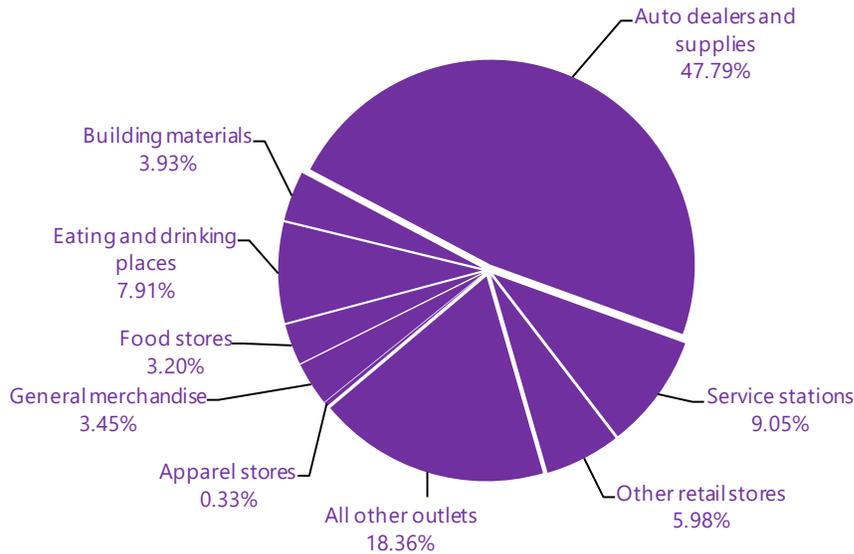
Note 5: Additional District tax rate of 1.00% effective October 1, 2010, resulting from the passage of Measure H in June 2010. The District tax was temporary and set to expire September 30, 2015. In June 2014, voters approved Measure B extending the 1% tax indefinitely.

Note 6: Rate decreased from 0.50% to 0.25% effective January 1, 2017.

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

| Calendar Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|--|
| 2014 | 2015 | 2016 | 2017 | 2018 | |
| 10,691 | 10,230 | 9,538 | 7,619 | 3,271 | Apparel stores |
| 31,276 | 29,907 | 29,301 | 31,239 | 33,893 | General merchandise |
| 27,970 | 29,216 | 29,915 | 30,116 | 31,436 | Food stores |
| 58,218 | 64,215 | 68,281 | 74,075 | 77,645 | Eating and drinking places |
| 32,134 | 36,537 | 34,344 | 33,715 | 38,553 | Building materials |
| 406,984 | 447,301 | 444,525 | 453,795 | 469,362 | Auto dealers and supplies |
| 81,020 | 80,086 | 66,735 | 69,241 | 88,885 | Service stations |
| 55,796 | 54,580 | 55,942 | 57,807 | 58,773 | Other retail stores |
| 135,583 | 145,868 | 151,129 | 152,830 | 180,354 | All other outlets |
| 839,672 | 897,940 | 889,710 | 910,437 | 982,172 | 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% | 0.25% | District rate-Riverside County - Measure A (transit)(Note 6) |
| 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% | 8.75% | Total sales tax rate |

CY 2018 Taxable Sales by Category



Top 25 Sales Tax Producers
Current Year and Nine Years Ago (listed alphabetically)

| 2019 | |
|------------------------------------|----------------------------|
| Taxpayer | Business |
| 7 Eleven | Service Stations |
| Acura of the Desert | New Motor Vehicle Dealers |
| Arco AM PM | Service Stations |
| Cab West/Volvo Leasing | Auto Lease |
| Circle K | 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 |
| Jessup Volvo Cars | New Motor Vehicle Dealers |
| 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 |
| Walgreens | Drug Stores |

Percentage of total paid by top 25 accounts - 62.28%

| 2010 | |
|------------------------------------|------------------------------|
| Taxpayer | Business |
| Acura of the Desert | New Motor Vehicle Dealers |
| Arco AM PM | Service Stations |
| Arco AM PM | Service Stations |
| Burlington | Family Apparel |
| Cardenas Markets | Grocery Stores |
| 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 |
| Jessup Auto Plaza Cadillac | New Motor Vehicle Dealers |
| JMW Truss Roofing | Contractors |
| Linders Furniture | Home Furnishings |
| MS V Group | Service Stations |
| Palm Springs Ford | New Motor Vehicle Dealers |
| Palm Springs Nissan | New Motor Vehicle Dealers |
| Palm Springs Oil | Service Stations |
| Palm Springs 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 |
| Valero Corner Store | Service Stations |
| Walgreens | Drug Stores |
| Wiley Hyundai | New Motor Vehicle Dealers |

Percentage of total paid by top 25 accounts - 58.85%

Notes to Schedule:

Note 1: Information is for the periods July 2018 through March 2019 and July 2009 through March 2010, 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 present ed in random or alphabetical order; (3) businesses are not ranked by amount paid; and (4) sales or usetax amounts are omitted.

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

THIS PAGE LEFT BLANK INTENTIONALLY.

Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years (dollar in thousands)

| | Fiscal Year | | | | |
|---|--------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Residential | \$2,473,035 | 2,295,531 | 2,209,410 | 2,129,244 | 2,282,069 |
| Commercial | 463,709 | 450,136 | 432,569 | 439,471 | 443,092 |
| Industrial | 92,260 | 90,613 | 90,483 | 92,716 | 92,134 |
| Dry farm | 60 | - | - | - | - |
| Government owned | 512 | 511 | 514 | 525 | 535 |
| Institutional | 1,200 | 109 | 101 | 8 | 4,927 |
| Recreational | 28,333 | 24,878 | 24,544 | 23,320 | 23,606 |
| Vacant | 120,145 | 106,557 | 93,923 | 86,198 | 83,339 |
| Cross reference | 584,741 | 548,959 | 520,021 | 527,791 | 536,668 |
| Unsecured | 92,612 | 97,133 | 100,848 | 89,328 | 92,786 |
| Other | - | - | - | - | - |
| Total net taxable assessed value | \$3,856,607 | 3,614,427 | 3,472,413 | 3,388,601 | 3,559,156 |
| Total direct tax rate (Note 3) | \$ 0.89971 | 0.88849 | 0.89234 | 0.88187 | 0.21541 |
| Estimated actual taxable value | N/A | N/A | N/A | N/A | N/A |
| Assessed value as a percentage of estimated actual value | N/A | N/A | N/A | N/A | N/A |

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 2018/19 Combined Tax Rolls)

| Fiscal Year | | | | | |
|------------------|------------------|------------------|------------------|------------------|--|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 2,466,935 | 2,625,425 | 2,745,532 | 2,876,288 | 3,021,328 | Residential |
| 438,756 | 462,758 | 481,117 | 515,231 | 536,161 | Commercial |
| 87,068 | 89,529 | 96,035 | 115,863 | 133,061 | Industrial |
| - | - | - | - | - | Dry farm |
| 537 | 548 | 557 | 1,144 | 1,156 | Government owned |
| 178 | 181 | 5,301 | 3,977 | 273 | Institutional |
| 21,724 | 21,557 | 21,862 | 24,579 | 28,289 | Recreational |
| 86,718 | 90,054 | 116,356 | 119,914 | 123,162 | Vacant |
| 550,002 | 567,938 | 585,569 | 603,650 | 622,037 | Cross reference |
| 90,909 | 83,412 | 92,497 | 74,021 | 76,336 | Unsecured |
| - | - | - | 52 | - | Other |
| 3,742,827 | 3,941,402 | 4,144,826 | 4,334,719 | 4,541,803 | Total net taxable assessed value |
| 0.19547 | 0.21475 | 0.21335 | 0.21487 | 0.21438 | Total direct tax rate (Note 3) |
| N/A | N/A | N/A | N/A | N/A | Estimated actual taxable value |
| N/A | N/A | N/A | N/A | N/A | 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)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------------------|----------------|----------------|----------------|----------------|
| Direct rate | | | | | |
| City's share of 1% levy per Prop 13 (Note 1) | \$ 0.16455 | 0.16144 | 0.16144 | 0.16144 | 0.16144 |
| Redevelopment rate (Note 2) | 1.00000 | 1.00000 | 1.00000 | - | - |
| Total direct rate (Note 3) | 0.89971 | 0.88849 | 0.89234 | 0.88187 | 0.21541 |
| 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) | 0.06000 | 0.08000 | 0.08000 | 0.08000 | 0.10000 |
| CVWD Improvement District 54 | 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 | 0.10000 | 0.10000 |
| Palm Springs Unified B&I - 1992-A | 0.12628 | 0.13224 | 0.10451 | 0.09351 | 0.12961 |
| Total direct and overlapping rates | \$ 1.29273 | 1.31749 | 1.28446 | 1.29346 | 1.34956 |

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 charged taxes as a percentage of assessed property values for the payment of any voter-approved bonds.

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

| Fiscal Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|--|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | Direct rate |
| 0.16144 | 0.16144 | 0.16144 | 0.16331 | 0.14072 | City's share of 1% levy per Prop 13 (Note 1) |
| - | - | - | - | - | Redevelopment rate (Note 2) |
| 0.19547 | 0.21475 | 0.21335 | 0.21487 | 0.21438 | 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 54 |
| 0.02325 | 0.02087 | 0.02036 | 0.04030 | 0.03978 | Desert Community College |
| 0.10000 | 0.10000 | 0.10000 | 0.10000 | 0.10000 | Desert Water Agency |
| 0.10160 | 0.08978 | 0.11802 | 0.11146 | 0.10603 | Palm Springs Unified B&I - 1992-A |
| 1.32485 | 1.31065 | 1.33838 | 1.35176 | 1.34581 | Total direct and overlapping rates |

Principal Property Taxpayers
Current Year and Nine Years Ago (dollars in thousands)

| Taxpayer | 2019 | | | 2010 | | |
|--------------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| MHC Date Palm LLC | \$ 34,205 | 1 | 0.73% | \$ 30,281 | 2 | 0.76% |
| Welk Park North | 28,024 | 2 | 0.60% | 26,048 | 3 | 0.66% |
| Cathedral Hotel Group | 21,771 | 3 | 0.46% | | | |
| CC RP LLC | 20,248 | 4 | 0.43% | | | |
| Frome Development Omega | 18,727 | 5 | 0.40% | | | |
| T Alliance One Palm Springs LLC | 18,391 | 6 | 0.39% | | | |
| Robertas LP | 18,021 | 7 | 0.38% | 21,817 | 4 | 0.55% |
| Ocotillo Place Apartments LLC | 17,320 | 8 | 0.37% | | | |
| Bre Throne Plaza Rio Vista | 16,442 | 9 | 0.35% | | | |
| BJ's Cat City | | | | 37,972 | 1 | 0.96% |
| Meristar Sub 1C | | | | 15,388 | 5 | 0.39% |
| Cathedral City Rio Vista Town Center | | | | 15,281 | 6 | 0.38% |
| Rolling Hills Silver Spur LP | 15,235 | 10 | 0.33% | 14,273 | 7 | 0.36% |
| Date Palm Interiors | | | | 14,018 | 8 | 0.35% |
| C V Storage | | | | 13,652 | 9 | 0.34% |
| U Store It LP | | | | 13,057 | 10 | 0.33% |
| Totals | \$ 208,384 | | 4.44% | 201,787 | | 5.08% |

Notes to Schedule:

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

Source: HdL Coren & Cone (Riverside County Assessor 2018/19 and 2018/19 Combined Tax Rolls and the SBE Unitary Tax Roll)

THIS PAGE LEFT BLANK INTENTIONALLY.

Property Tax Levies and Collections

Last Ten Fiscal Years (dollars in thousands)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------|--------|--------|--------|--------|
| General Fund | | | | | |
| Tax levy for fiscal year (Note 1 & 5) | 428 | 469 | 513 | 1,303 | 739 |
| Structural Fire Tax (Note 5) | 429 | 470 | 514 | 602 | 477 |
| RPTTF and RDV (Note 5) | N/A | N/A | N/A | 600 | 559 |
| Total tax | 1,031 | 1,058 | 1,070 | 1,349 | 1,775 |
| Collections in year due | 837 | 961 | 981 | 994 | 1,013 |
| Collections in subsequent years | 68 | 47 | 39 | 30 | 24 |
| Total collections identifiable with levy year | 905 | 1,008 | 1,020 | 1,024 | 1,037 |
| Percentage of levy collected in year due | 81.18% | 90.83% | 91.68% | 52.18% | 83.31% |
| Total percentage of levy collected | 87.78% | 95.27% | 95.33% | 53.75% | 85.28% |
| Redevelopment Agency | | | | | |
| Tax levy for fiscal year (Note 1) | 22,860 | 21,196 | - | - | - |
| Collections in year due | 22,619 | 21,066 | - | - | - |
| Collections in subsequent years | - | - | - | - | - |
| Total collections identifiable with levy year | 22,619 | 21,066 | - | - | - |
| Percentage of levy collected in year due | 98.95% | 99.39% | - | - | - |
| Total percentage of levy collected | 98.95% | 99.39% | - | - | - |
| Total | | | | | |
| Tax levy for fiscal year (Note 1 & 5) | 23,288 | 21,665 | 513 | 1,303 | 739 |
| Structural Fire Tax (Note 5) | 429 | 470 | 514 | 602 | 477 |
| RPTTF and RDV (Note 5) | N/A | N/A | N/A | 600 | 559 |
| Total tax | 23,717 | 22,135 | 1,027 | 2,505 | 1,775 |
| Collections in year due | 23,456 | 22,027 | 981 | 994 | 1,013 |
| Collections in subsequent years | 68 | 47 | 39 | 30 | 24 |
| Total collections identifiable with levy year | 23,524 | 22,074 | 1,020 | 1,024 | 1,037 |
| Percentage of levy collected in year due | 98.90% | 99.51% | 95.52% | 52.18% | 83.31% |
| Total percentage of levy collected | 99.19% | 99.72% | 99.32% | 53.75% | 85.28% |

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.

Note 5: Beginning in 2019 amounts reported for tax levy were separated to reflect the amounts received by RPTTF/RDV and Structural Fire Tax independent of the tax levied. As a result, fiscal year's 2010 through 2018 were modified to reflect these changes.

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

| Fiscal Year | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| General Fund | | | | | |
| 688 | 688 | 704 | 695 | 686 | Tax levy for fiscal year (Note 1 & 5) |
| 484 | 481 | 497 | 491 | 497 | Structural Fire Tax (Note 5) |
| 1,327 | 2,263 | 2,423 | 3,062 | 3,385 | RPTTF and RDV (Note 5) |
| <u>2,499</u> | <u>3,432</u> | <u>3,624</u> | <u>4,248</u> | <u>4,568</u> | Total tax |
| 1,029 | 1,032 | 1,055 | 1,052 | 1,033 | Collections in year due |
| 22 | - | - | - | - | Collections in subsequent years |
| <u>1,051</u> | <u>1,032</u> | <u>1,055</u> | <u>1,052</u> | <u>1,033</u> | Total collections identifiable with levy year |
| 87.80% | 88.28% | 87.84% | 88.70% | 87.32% | Percentage of levy collected in year due |
| 89.68% | 88.28% | 87.84% | 88.70% | 87.32% | Total percentage of levy collected |
| Redevelopment Agency | | | | | |
| - | - | - | - | - | Tax levy for fiscal year (Note 1) |
| - | - | - | - | - | Collections in year due |
| - | - | - | - | - | Collections in subsequent years |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | Total collections identifiable with levy year |
| - | - | - | - | - | Percentage of levy collected in year due |
| - | - | - | - | - | Total percentage of levy collected |
| Total | | | | | |
| 688 | 688 | 704 | 695 | 686 | Tax levy for fiscal year (Note 1 & 5) |
| 484 | 481 | 497 | 491 | 497 | Structural Fire Tax (Note 5) |
| 1,327 | 2,263 | 2,423 | 3,062 | 3,385 | RPTTF and RDV (Note 5) |
| <u>2,499</u> | <u>3,432</u> | <u>3,624</u> | <u>4,248</u> | <u>4,568</u> | Total tax |
| 1,029 | 1,032 | 1,055 | 1,052 | 1,033 | Collections in year due |
| 22 | - | - | - | - | Collections in subsequent years |
| <u>1,051</u> | <u>1,032</u> | <u>1,055</u> | <u>1,052</u> | <u>1,033</u> | Total collections identifiable with levy year |
| 87.80% | 88.28% | 87.84% | 88.70% | 150.58% | Percentage of levy collected in year due |
| 89.68% | 88.28% | 87.84% | 88.70% | 150.58% | Total percentage of levy collected |

Ratios of Outstanding Debt by Type

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

| | Fiscal Year | | | | |
|--------------------------------------|-------------------|----------------|----------------|----------------|----------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental Activities | | | | | |
| Lease revenue bonds | \$ 4,835 | 4,705 | 4,565 | 4,410 | 4,245 |
| Tax allocation bonds | 217,095 | 212,647 | 208,000 | 203,154 | 198,096 |
| Revenue bonds | - | - | - | - | - |
| Limited obligation bonds | 5,667 | 4,668 | 3,819 | 3,636 | 3,432 |
| Capital leases | 2,862 | 2,559 | 2,243 | 1,913 | 1,701 |
| Long-term loans/notes | 10,254 | 10,185 | - | - | - |
| Total primary government | \$ 240,713 | 234,764 | 218,627 | 213,113 | 207,474 |
| Percentage of personal income | 22.28% | 20.60% | 19.31% | 19.18% | 19.36% |
| Per capita | \$ 4,584 | 4,443 | 4,208 | 4,072 | 3,945 |

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 | | | | | |
|----------------|----------------|----------------|----------------|----------------|--------------------------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | Governmental Activities |
| 4,065 | 3,554 | 3,322 | 3,081 | 2,827 | Lease revenue bonds |
| 113,859 | 111,429 | 108,889 | 106,231 | 103,446 | Tax allocation bonds |
| - | - | - | | - | Revenue bonds |
| 3,233 | 39,100 | 37,410 | 33,900 | 32,110 | Limited obligation bonds |
| 1,317 | 917 | 518 | 262 | - | Capital leases |
| - | - | - | - | - | Long-term loans/notes |
| <u>122,474</u> | <u>155,000</u> | <u>150,139</u> | <u>143,474</u> | <u>138,383</u> | Total primary government |
| 11.90% | 14.99% | 14.41% | 13.13% | 11.85% | Percentage of personal income |
| 2,330 | 2,857 | 2,752 | 2,619 | 2,520 | Per capita |

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years (dollar in thousands, except per capita amount)

| | Fiscal Year | | | | |
|---|-------------------|----------------|----------------|----------------|----------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Lease revenue bonds | \$ 4,835 | 4,705 | 4,565 | 4,410 | 4,245 |
| Tax allocation bonds | 217,095 | 212,647 | 208,000 | 203,154 | 198,096 |
| Limited obligation bonds | 5,667 | 4,668 | 3,819 | 3,636 | 3,432 |
| Total bonded debt | 227,597 | 222,020 | 216,384 | 211,200 | 205,773 |
| Less: Debt service reserves | (16,846) | (21,930) | (15,397) | (5,229) | (4,146) |
| Net bonded debt | \$ 210,751 | 200,090 | 200,987 | 205,971 | 201,627 |
| Percentage of net bonded debt to actual taxable assessed value of property | 5.83% | 5.76% | 5.93% | 5.79% | 5.39% |
| Net bonded debt per capita | \$ 3,988 | 3,851 | 3,840 | 3,916 | 3,835 |

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 calendar year.

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

| Fiscal Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 4,065 | 3,554 | 3,322 | 3,081 | 2,827 | Lease revenue bonds |
| 113,859 | 111,429 | 108,889 | 106,231 | 103,446 | Tax allocation bonds |
| 3,233 | 39,100 | 37,410 | 33,900 | 32,110 | Limited obligation bonds |
| 121,157 | 154,083 | 149,621 | 143,212 | 138,383 | Total bonded debt |
| (4,165) | (4,778) | (3,578) | - | (4,774) | Less: Debt service reserves |
| 116,992 | 149,305 | 146,043 | 143,212 | 133,609 | Net bonded debt |
| 2.97% | 3.60% | 3.52% | 3.30% | 2.94% | Percentage of net bonded debt to actual taxable assessed value of property |
| 2,156 | 2,737 | 2,677 | 2,614 | 2,433 | Net bonded debt per capita |

**Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2019**

| | Debt Outstanding | Percentage Applicable ⁽²⁾ | City of Cathedral City Share of Debt |
|--|---------------------|---|--|
| Direct and Overlapping Tax and Assessment Debt ⁽¹⁾ | | | |
| Desert Community College District | \$ 349,425,000 | 5.589% | 19,529,363 |
| Palm Springs Unified School District | 386,308,048 | 15.017% | 58,011,880 |
| Cathedral City Public Financing Authority Local Agency Revenue Bonds, 2015 Series A (Limited Obligations) | 32,110,000 | 100.000% | 32,110,000 |
| City of Cathedral City Community Facilities District No. 2000-01 | 9,665,000 | 100.000% | 9,665,000 |
| City of Cathedral City 1915 Act Bonds | 33,849,765 | 100.000% | 33,849,765 |
| Total direct and overlapping tax and assessment debt | | | <u>\$ 153,166,008</u> |
| Direct and Overlapping General Fund Debt | | | |
| Riverside County General Fund Obligations | \$ 760,133,611 | 1.617% | \$ 12,291,360 |
| Riverside County Pension Obligation Bonds | 243,850,000 | 1.617% | 3,943,055 |
| Cathedral City Public Financing Authority, 2015 Lease Revenue Refunding Bonds, Series 2015A (Taxable) | 2,827,000 | 100.000% | 2,827,000 |
| Total gross direct and overlapping general fund debt | | | \$ 19,061,415 |
| Less: Riverside County supported obligations | | | (28,089) |
| Total net direct and overlapping general fund debt | | | <u>\$ 19,033,326</u> |
| Direct Tax Increment Debt (Cathedral City Public Financing Authority Bonds) | | | |
| City of Cathedral City Merged Redevelopment Project Area Nos. 1 and 2 | \$ 6,850,980 | 100.000% | \$ 6,850,980 ⁽³⁾ |
| City of Cathedral City Redevelopment Project Area No. 3 | 6,080,000 | 100.000% | 6,080,000 |
| City of Cathedral City 2006 Merged Redevelopment Project Area | 90,515,365 | 100.000% | 90,515,365 ⁽⁴⁾ |
| Total direct tax increment debt | | | <u>\$ 103,446,345</u> |
| Overlapping Tax Increment Debt (Successor Agencies) | | | |
| City of Cathedral City Redevelopment 2006 Merged Project Area | \$ 37,235,000 | 96.944% | \$ 36,097,098 ⁽⁵⁾ |
| City of Cathedral City Redevelopment Housing Bonds | 23,210,000 | 96.944% | 22,500,702 ⁽⁵⁾ |
| City of Rancho Mirage 1984 Redevelopment Project Area | 52,011,027 | 0.221% | 114,944 |
| City of Rancho Mirage Redevelopment Housing Bonds | 15,025,000 | 0.141% | 21,185 |
| Total overlapping tax increment debt | | | <u>\$ 58,733,929</u> |
| Total direct debt | | | \$ 138,383,345 |
| Total gross overlapping debt | | | \$ 196,024,352 |
| Total net overlapping debt | | | \$ 195,996,263 |
| Gross combined total debt | | | \$ 334,407,697 ⁽⁶⁾ |
| Net combined total debt | | | \$ 334,379,608 |
| Ratios to 2018-19 Assessed Valuation: (\$4,541,802,616) | | | |
| Total direct and overlapping tax and assessment debt | | | 3.38% |
| Total direct debt (\$138,383,345) | | | 3.05% |
| Gross combined total debt | | | 7.38% |
| Net combined total debt | | | 7.38% |
| Ratio to Redevelopment Incremental Valuation: (\$4,036,140,932) | | | |
| Total direct and overlapping tax increment debt | | | 4.02% |

(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 accreted interest of capital appreciation bonds.

(4) Includes bond premiums.

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

(6) Excludes tax and revenue anticipation notes, enterprise revenue, and mortgage revenue bonds.

Source: California Municipal Statistics Inc.

THIS PAGE LEFT BLANK INTENTIONALLY.

Legal Debt Margin Information
Last Ten Fiscal Years (dollar in thousands)

Calculation of Legal Debt Margin for Fiscal Year 2019

| | |
|--------------------------------------|---------------------------------|
| Assessed Value | 4,541,802 |
| Debt limit % | 15.00% |
| Debt limit - (15% of assessed value) | <u>681,270</u> |
| Less: Debt applicable to limit | - |
| Legal debt margin — June 30 | <u><u>\$ 681,270</u></u> |

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Debt limit | 578,491 | 542,164 | 520,862 | 508,290 | 555,380 |
| Total net debt applicable to limit | - | - | - | - | - |
| Legal debt margin | <u><u>578,491</u></u> | <u><u>542,164</u></u> | <u><u>520,862</u></u> | <u><u>508,290</u></u> | <u><u>555,380</u></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 2018/19)

| Fiscal Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|---|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 583,377 | 591,210 | 621,724 | 650,208 | 681,270 | Debt limit |
| - | - | - | - | - | Total net debt applicable to limit |
| 583,377 | 591,210 | 621,724 | 650,208 | 681,270 | 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 | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Lease Revenue Bonds | | | | | |
| Pledged lease revenues | 487 | 475 | 475 | 475 | 475 |
| Available for debt service | 487 | 475 | 475 | 475 | 475 |
| Debt service - principal and interest | 811 | 504 | 504 | 507 | 505 |
| Coverage (Note 2) | 0.60 | 0.94 | 0.94 | 0.94 | 0.94 |
| Tax Allocation Bonds (Note 3): | | | | | |
| Pledged tax increment | 24,040 | 21,801 | 10,548 | - | - |
| Pledged property taxes | - | - | 7,632 | 14,364 | 15,879 |
| Available for debt service | 24,040 | 21,801 | 18,180 | 14,364 | 15,879 |
| Debt service - principal and interest | 14,440 | 15,098 | 15,100 | 15,092 | 15,086 |
| Coverage | 1.66 | 1.44 | 1.20 | 0.95 | 1.05 |

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 \$14,734,339. These amounts were pledged to pay the tax allocation bond debt issued by the Public Financing Authority (principal/interest of \$8,060,248, and the Successor Agency (principal/interest of \$6,325,897).

Source: City of Cathedral City Finance Department

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------------------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| | | | | | Lease Revenue Bonds |
| 475 | 299 | 378 | 377 | 380 | Pledged lease revenues |
| 475 | 299 | 378 | 377 | 380 | Available for debt service |
| 506 | 299 | 378 | 377 | 380 | Debt service - principal and interest |
| 0.94 | 1.00 | 1.00 | 1.00 | 1.00 | Coverage (Note 2) |
| | | | | | Tax Allocation Bonds (Note 3): |
| - | - | - | - | - | Pledged tax increment |
| 16,803 | 14,073 | 15,017 | 14,501 | 14,734 | Pledged property taxes |
| 16,803 | 14,073 | 15,017 | 14,501 | 14,734 | Available for debt service |
| 13,096 | 8,075 | 8,069 | 8,065 | 8,060 | Debt service - principal and interest |
| Note 4 | | | | Note 5 | |
| 1.28 | 1.74 | 1.86 | 1.80 | 1.83 | Coverage |

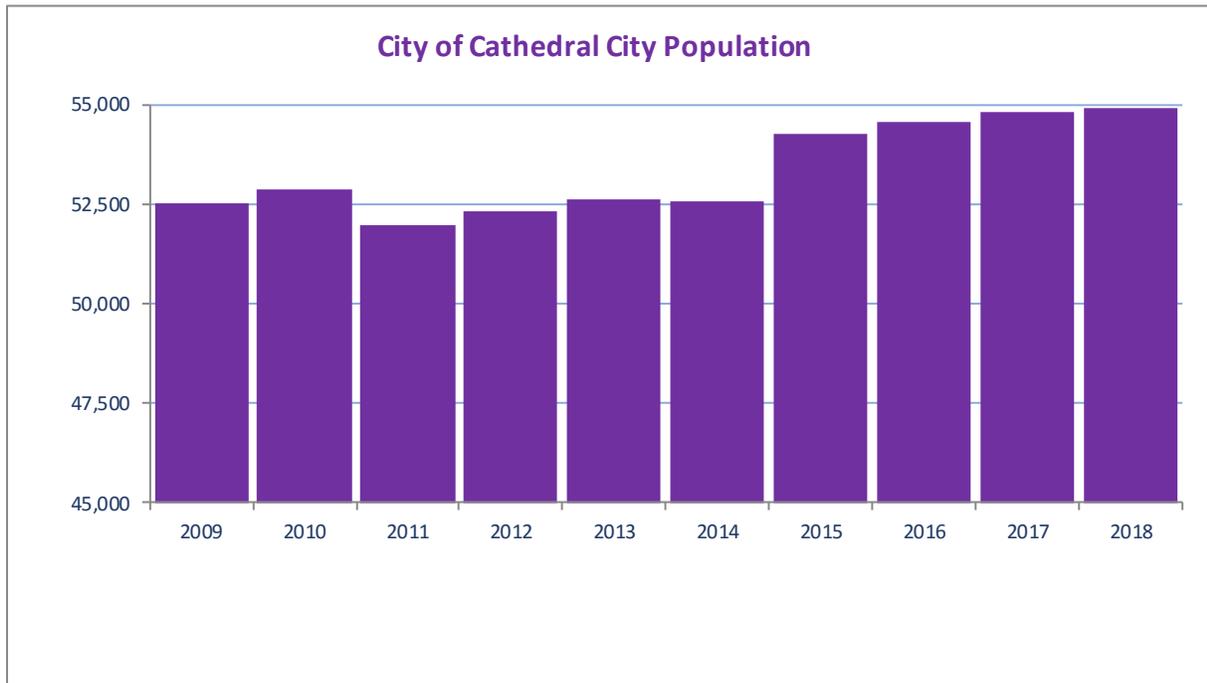
Demographic and Economic Statistics

Last Ten Calendar Years

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|--------------|-----------|-----------|-----------|-----------|
| Population ¹ | 52,508 | 52,841 | 51,952 | 52,337 | 52,595 |
| Personal income (expressed in thousands) ² | \$ 1,080,383 | 1,139,728 | 1,132,034 | 1,111,219 | 1,071,623 |
| Per capita personal income ² | \$ 20,576 | 21,569 | 21,790 | 21,232 | 20,375 |
| Unemployment rate ³ | 13.30% | 14.40% | 13.30% | 9.40% | 8.10% |
| Median age ² | 33.2 | 35.8 | 36.5 | 35.8 | 35.0 |
| % of population 25+ — high school degree ² | 72.70% | 73.70% | 73.70% | 72.40% | 73.30% |
| % of population 25+ — bachelor's degree ² | 17.40% | 17.20% | 16.60% | 15.60% | 15.40% |

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 | | | | | |
|---------------|-----------|-----------|-----------|-----------|---|
| 2014 | 2015 | 2016 | 2017 | 2018 | |
| 52,571 | 54,261 | 54,557 | 54,791 | 54,907 | Population ¹ |
| 1,029,235 | 1,033,859 | 1,041,771 | 1,092,392 | 1,167,636 | Personal income (expressed in thousands) ² |
| 19,578 | 19,053 | 19,095 | 19,937 | 21,265 | Per capita personal income ² |
| 6.70% | 5.50% | 4.90% | 4.50% | 4.00% | Unemployment rate ³ |
| 34.5 | 34.8 | 35.9 | 37.1 | 37.3 | Median age ² |
| 73.40% | 74.40% | 75.30% | 76.30% | 77.10% | % of population 25+ — high school degree ² |
| 15.00% | 16.10% | 16.70% | 18.00% | 18.60% | % of population 25+ — bachelor's degree ² |



Principal Employers
Current Year and Nine Years Ago

| | 2019 | | | 2010 | | |
|--------------------------------------|----------------------|------|-------------------------------------|----------------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Addus Healthcare | 250-499 | 1T | 1.03% - 2.06% | 250-499 | 1T | 1.1% - 2.2% |
| Doral Desert Princess Resort | | | | 250-499 | 1T | 1.1% - 2.2% |
| Doubletree-Golf Resort | 250-499 | 1T | 1.03% - 2.06% | | | |
| Target | 250-499 | 1T | 1.03% - 2.06% | 250-499 | 1T | 1.1% - 2.2% |
| Acura of the Desert | | | | 100-249 | 3T | 0.4% - 1.1% |
| Applebee's Neighborhood Grill | | | | 100-249 | 3T | 0.4% - 1.1% |
| Cathedral City High School | 100-249 | 3T | 0.41% - 1.03% | 100-249 | 3T | 0.4% - 1.1% |
| City of Cathedral City | 100-249 | 3T | 0.41% - 1.03% | 100-249 | 3T | 0.4% - 1.1% |
| Honda of the Desert | 100-249 | 3T | 0.41% - 1.03% | 100-249 | 3T | 0.4% - 1.1% |
| Jessup Auto Plaza | 100-249 | 3T | 0.41% - 1.03% | 100-249 | 3T | 0.4% - 1.1% |
| Nellie N. Coffman Middle School | 100-249 | 3T | 0.41% - 1.03% | 100-249 | 3T | 0.4% - 1.1% |
| Palm Springs Lincoln Mercury | | | | 100-249 | 3T | 0.4% - 1.1% |
| Palm Springs Motors | 100-249 | 3T | 0.41% - 1.03% | | | |
| Palm Springs Unified School District | 100-249 | 3T | 0.41% - 1.03% | | | |
| Stater Bros. Markets (Ramon) | 100-249 | 3T | 0.41% - 1.03% | 100-249 | 3T | 0.4% - 1.1% |
| Stater Bros. Markets (Vista Chino) | | | | 100-249 | 3T | 0.4% - 1.1% |
| Toyota of the Desert | 100-249 | 3T | 0.41% - 1.03% | 100-249 | 3T | 0.4% - 1.1% |
| Totals | 1,650 - 5,988 | | 6.78% - 15.45% | 1,850 - 4,236 | | 8.2% - 18.9% |

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).

THIS PAGE LEFT BLANK INTENTIONALLY.

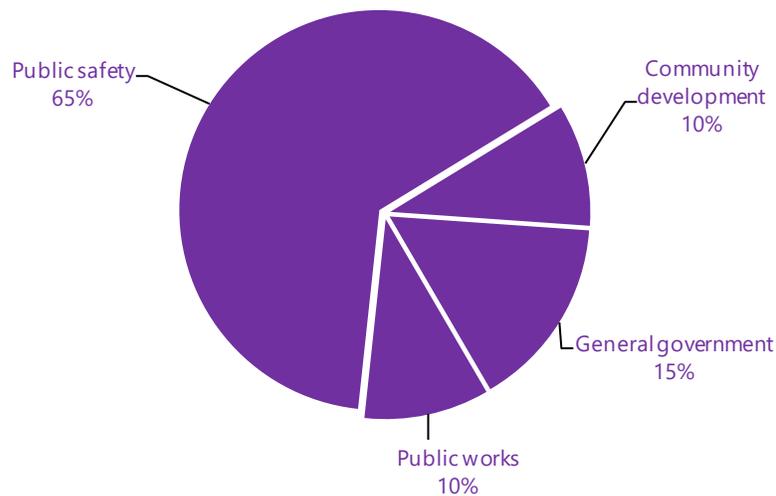
**Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

| | Fiscal Year | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Government: | | | | | |
| City Council | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| City Management | 4.50 | 5.50 | 5.50 | 5.00 | 5.20 |
| City Clerk | 1.00 | 1.50 | 1.50 | 1.50 | 2.40 |
| Administrative Services | 15.00 | 14.00 | 13.50 | 11.75 | 12.00 |
| Redevelopment/Housing | 7.50 | 5.50 | 3.00 | - | - |
| All other | 1.00 | 1.00 | 1.00 | - | - |
| Total General Government | <u>34.00</u> | <u>32.50</u> | <u>29.50</u> | <u>23.25</u> | <u>24.60</u> |
| Public Works | 29.00 | 27.00 | 25.00 | 19.00 | 22.00 |
| Public Safety: | | | | | |
| Police | 97.00 | 98.00 | 93.50 | 77.25 | 77.50 |
| Fire | 52.00 | 52.00 | 43.00 | 37.50 | 37.00 |
| Total Public Safety | <u>149.00</u> | <u>150.00</u> | <u>136.50</u> | <u>114.75</u> | <u>114.50</u> |
| Community Development | 14.50 | 14.50 | 13.50 | 8.50 | 8.50 |
| Planning, Building, Code | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Total Community Development | <u>14.50</u> | <u>14.50</u> | <u>13.50</u> | <u>8.50</u> | <u>8.50</u> |
| Successor Agency to the RDA | - | - | - | 1.25 | 1.50 |
| Total | <u><u>226.50</u></u> | <u><u>224.00</u></u> | <u><u>204.50</u></u> | <u><u>166.75</u></u> | <u><u>171.10</u></u> |

Source: City of Cathedral City (Human Resources Department)

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|---------------|-----------------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 | |
| 5.00 | 5.00 | 5.00 | 5.00 | 5.50 | General Government: |
| 5.20 | 9.80 | 9.80 | 8.40 | 8.40 | City Council |
| 2.40 | 2.60 | 2.60 | 2.40 | 1.40 | City Management |
| 12.00 | 12.55 | 14.65 | 14.20 | 14.20 | City Clerk |
| - | - | - | - | - | Administrative Services |
| - | - | - | - | - | Redevelopment/Housing |
| - | - | - | - | - | All other |
| 24.60 | 29.95 | 32.05 | 30.00 | 29.50 | Total General Government |
| 22.00 | 15.70 | 17.70 | 17.00 | 19.25 | Public Works |
| 74.00 | 73.00 | 75.00 | 75.00 | 77.00 | Public Safety: |
| 36.00 | 37.00 | 40.00 | 46.00 | 46.00 | Police |
| 110.00 | 110.00 | 115.00 | 121.00 | 123.00 | Fire |
| 12.95 | 13.90 | 17.25 | 20.00 | - | Total Public Safety |
| - | - | - | - | 14.50 | Community Development |
| - | - | - | - | 4.25 | Planning, Building, Code |
| 12.95 | 13.90 | 17.25 | 20.00 | 18.75 | Engineering |
| 1.50 | 1.60 | 1.00 | 1.00 | - | Total Community Development |
| 171.05 | 171.15 | 183.00 | 189.00 | 190.50 | Successor Agency to the RDA |
| | | | | | Total |

2019 Full-Time City Employees by Function



Operating Indicators by Function Last Ten Fiscal Years

| | Calendar Year | | | | |
|---|---------------|-------|-------|-------|-------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Public Works | | | | | |
| Streets maintained (miles) | 154 | 154 | 154 | 154 | 154 |
| Public Safety | | | | | |
| Police: | | | | | |
| Physical arrests (Note 1) | 1,429 | 1,447 | 1,263 | 1,189 | 1,099 |
| Parking violations (Note 1) | 1,761 | 929 | 943 | 1,002 | 1,519 |
| Traffic violations (Note 1) | 4,916 | 3,225 | 2,354 | 4,085 | 4,264 |
| Code complaints | - | - | - | 1,761 | 2,047 |
| Property/vehicle abatements | - | - | - | 226 | 211 |
| Notices/citations issued | - | - | - | 950 | 813 |
| Number of 9-1-1 calls answered (Note 1) | - | - | - | - | - |
| Fire: | | | | | |
| Number of 9-1-1 calls answered (Note 3) | 4,144 | 4,140 | 4,736 | 4,818 | 4,897 |
| Code complaints | 2,269 | 1,471 | 1,036 | - | - |
| Property/vehicle abatements | 308 | 66 | 49 | - | - |
| Notices/citations issued | 3,168 | 1,028 | 479 | - | - |
| Community Development | | | | | |
| Building permits issued | 1,082 | 1,414 | 1,388 | 1,762 | 1,409 |
| Code complaints | - | - | - | - | - |
| Property/vehicle abatements | - | - | - | - | - |
| Notices/citations issued | - | - | - | - | - |

Notes to Schedule:

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

Note 3: The number of 9-1-1 calls answered reflect the number of emergency incidents that were responded to.

Source: City of Cathedral City (various departments)

| Calander Year | | | | | |
|---------------|-------|-------|-------|--------|---|
| 2014 | 2015 | 2016 | 2017 | 2018 | |
| | | | | | Public Works |
| 154 | 157 | 157 | 157 | 157 | Streets maintained (miles) |
| | | | | | Public Safety |
| | | | | | Police: |
| 1,216 | 1,068 | 1,029 | 1,222 | 1,910 | Physical arrests (Note 1) |
| 1,821 | 1,413 | 990 | 1,511 | 1,120 | Parking violations (Note 1) |
| 3,292 | 2,703 | 3,113 | 3,479 | 3,853 | Traffic violations (Note 1) |
| - | - | - | - | - | Code complaints |
| - | - | - | - | - | Property/vehicle abatements |
| - | - | - | - | - | Notices/citations issued |
| - | - | - | - | 49,901 | Number of 9-1-1 calls answered (Note 1) |
| | | | | | Fire: |
| 5,047 | 5,280 | 5,660 | 5,836 | 5,826 | Number of 9-1-1 calls answered (Note 3) |
| - | - | - | - | - | Code complaints |
| - | - | - | - | - | Property/vehicle abatements |
| - | - | - | - | - | Notices/citations issued |
| | | | | | Community Development |
| 1,894 | 1,463 | 1,995 | 2,173 | 2,080 | Building permits issued |
| 2,080 | 935 | 1,486 | 1,866 | 1,643 | Code complaints |
| 325 | 254 | 334 | 683 | 636 | Property/vehicle abatements |
| 765 | 1,080 | 884 | 1,731 | 1,886 | Notices/citations issued |

Capital Asset Statistics by Function
Last Ten Fiscal Years

| | Fiscal Year | | | | |
|-------------------------------|-------------|-------|-------|-------|-------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Public Works | | | | | |
| Streets (center lane miles) | 154 | 154 | 154 | 154 | 154 |
| Streetlights | 1,181 | 1,184 | 1,184 | 1,184 | 1,184 |
| Traffic signs | 4,283 | 4,283 | 4,308 | 4,308 | 4,308 |
| Traffic signals | 48 | 49 | 49 | 49 | 49 |
| Public Safety | | | | | |
| Police: | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 80 | 76 | 73 | 64 | 64 |
| Fire stations | 3 | 3 | 3 | 3 | 3 |
| Culture and Recreation | | | | | |
| Parks | 7 | 7 | 7 | 7 | 8 |
| Parks acreage | 39 | 39 | 39 | 39 | 40 |
| Community centers | 1 | 1 | 1 | 1 | 1 |
| Libraries | 1 | 1 | 1 | 1 | 1 |

Source: City of Cathedral City (various)

| 2015 | 2016 | 2017 | 2018 | 2019 | |
|-------|-------|-------|-------|-------|-------------------------------|
| | | | | | Public Works |
| 157 | 157 | 157 | 157 | 157 | Streets (center lane miles) |
| 1,190 | 1,190 | 1,190 | 1,190 | 1,190 | Streetlights |
| 4,333 | 4,333 | 4,333 | 4,333 | 4,333 | Traffic signs |
| 50 | 50 | 50 | 50 | 50 | Traffic signals |
| | | | | | Public Safety |
| | | | | | Police: |
| 1 | 1 | 1 | 1 | 1 | Stations |
| 65 | 57 | 55 | 55 | 60 | Patrol units |
| 3 | 3 | 3 | 3 | 3 | Fire stations |
| | | | | | Culture and Recreation |
| 9 | 10 | 10 | 10 | 10 | Parks |
| 43 | 48 | 48 | 48 | 48 | Parks acreage |
| 1 | 1 | 0 | 0 | 0 | Community centers |
| 1 | 1 | 1 | 1 | 1 | Libraries |

THIS PAGE LEFT BLANK INTENTIONALLY.

GLOSSARY OF ACRONYMS

A

ARO: Asset Retirement Obligations

C

CAFR: Comprehensive Annual Financial Report

CalPERS: California Public Employees Retirement System

CFD: Community Facilities District

CURC: City Urban Revitalization Corporation

CV: Coachella Valley

CVWD: Coachella Valley Water District

E

EARL: Expected average remaining service lifetime

ERAF: Education Revenue Augmentation Fund

ERICA: Eastern Riverside County Interoperable Communications Authority

F

FDIC: Federal Deposit Insurance Corporation

G

GAAP: Generally Accepted Accounting Principles

GASB: Governmental Accounting Standards Board

GFOA: Government Finance Officers Association

L

LAIF: Local Agency Investment Fund

LGBT: Lesbian, Gay, Bisexual, and Transgender

LLP: Limited Liability Partnership

LOB: Limited Obligation Bonds

LST: Local Sales Tax

M

MD&A: Management's Discussion and Analysis

MOU: Memorandum of Understanding

O

OPA: Owner Participation Agreements

OPEB: Other Postemployment Benefits

P

PEG: Public Education Government

PERF: Public Employee Retirement Fund

PERMA: Public Entity Risk Management Authority

PERS: Public Employees Retirement System

PMIA: Pooled Money Investment Account

R

RDA: Redevelopment Agencies

RMRA: Road Maintenance and Rehabilitation Account

ROPS: Recognized Obligation Repayment Schedule

RPTTF: RDAs Property Tax Trust Fund

S

S&P: Standard & Poor's

SAFER: Staffing for Adequate Fire and Emergency Response

STVR: Short-term vacation rental

T

TAB: Tax Allocation Bonds

TOT: Transient Occupancy Tax

TRA: Tax Rate Area

V

VLF: Vehicle License Fee



Cathedral City

FINANCE DEPARTMENT

68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234

www.cathedralcity.gov