

CITY OF GRAND TERRACE, CALIFORNIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 ANNUAL FINANCIAL REPORT  
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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Grand Terrace, California

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Grand Terrace, California, (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Grand Terrace, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Terrace, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedules for the General fund, the Street Improvement Fund, the Housing Authority Fund, and the Child Care Center Fund; the schedule of proportionate share of the net pension liability; and the schedule of plan contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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 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.



CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council  
City of Grand Terrace, California

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea California  
March 16, 2018

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## Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the City of Grand Terrace provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. The information presented herein should be considered in conjunction with the City's financial statements identified in the accompanying table of contents.

### Financial Highlights

- The assets of the City of Grand Terrace exceeded its liabilities at June 30, 2017 by \$17.5 million (net position).
- The City's net position decreased by \$4.8 million from the previous fiscal year from \$22.3 million to \$17.5 million. This decrease is mostly due to the sale of parcels of land to the Lewis Group by the City of Grand Terrace and the increase in net pension liability by \$ 0.7 million compared to the previous fiscal year.
- As of June 30, 2017, the City of Grand Terrace's governmental funds had reported combined ending fund balances of \$5.9 million, a decrease of \$1.1 million from the previous fiscal year. Of this total, approximately \$5.4 million, or 91.0% of the total fund balance, are either non-spendable or restricted due to the nature of the restriction.
- The total debt of the City showed a net decrease of about \$0.3 million. During FY 2016-17, the City fully paid the \$1.0 million outstanding loan balance with Zion's Bank. However, since the City's net pension liabilities increased by \$0.7 million, the net decrease in total debt was only \$0.3 million.
- The General Fund had a year-end fund balance of \$0.9 million at June 30, 2017. This was a decrease of \$1.3 million and a decrease of 58% over FY 2015- 16.

### Using the Accompanying Financial Statements

Included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements explain how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### Overview of the Financial Statements

The annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The governmental funds statements explain how general government services like public safety were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the government operates like a business.
- Fiduciary fund statements provide information about the fiduciary relationships - like the agency funds of the City - in which the City acts solely as agent or trustee for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that provide additional explanatory information regarding the financial statements, as well as more detailed data. The statements are followed by a section of required supplementary spreadsheets that provide additional financial and budgetary information.

### **Reporting the City as a Whole**

The accompanying government-wide financial statements include two statements that present financial data for the City as a whole. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. The statement of net position includes all of the City's assets and liabilities, as well as any deferred outflows and inflows. The statement of activities includes all current year revenues and expenses regardless of when cash is received. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the City's net position and changes in net position that transpired during the fiscal year. The City's net position - the difference between assets and liabilities is one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, however, should also be considered such as changes in the City's property tax or sales tax base and the condition of the City's roads, to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- Governmental activities - Most of the City's basic services such as public safety, public works, community development, and general government are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activity - The Waste Water Disposal Fund accounts for the remaining assets and liabilities of the fund that used to account for the provision of waste water disposal services to the residents and businesses within the City of Grand Terrace. The City of Colton/ Colton Utility Authority now provide waste water disposal services for the City's residents and businesses.

## Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City establishes many other funds to help it control and manage financial resources for particular purposes or to demonstrate that it is meeting oversight responsibilities for using certain taxes, grants, or other money. The City's two types of funds - governmental and proprietary - use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year end that are available for spending. These funds are reported using the *modified accrual accounting* method, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as cash flows, for the proprietary fund. The City does not use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

## Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Government-wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2017, net position for the City of Grand Terrace was \$17,536,715; compared to net position of \$22,290,381 at June 30, 2016.

A summary of the government-wide Statement of Net Position at June 30, 2017 and June 30, 2016 are as follows:

Table 1  
Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7,961,860	\$ 8,708,957	\$ 1,435,080	\$ 1,427,788	\$ 9,396,940	\$ 10,136,745
Capital assets, net	11,893,093	15,401,666	4,796,838	4,885,408	16,689,931	20,287,074
Total assets	19,854,953	24,110,623	6,231,918	6,313,196	26,086,871	30,423,819
Deferred Outflows for Pension	1,143,285	202,163	-	-	1,143,285	202,163
Other liabilities	1,947,938	1,332,384	6,875	6,875	1,954,813	1,339,259
Long-term liabilities	6,411,117	6,682,614	-	-	6,411,117	6,682,614
Total liabilities	8,359,055	8,014,998	6,875	6,875	8,365,930	8,021,873
Deferred inflows for Pension	1,327,511	313,728	-	-	1,327,511	313,728
Net investment in capital assets	11,893,093	14,380,214	4,796,838	4,885,408	16,689,931	19,265,622
Restricted	5,355,342	5,310,446	-	-	5,355,342	5,310,446
Unrestricted	(5,936,763)	(3,706,600)	1,428,205	1,420,913	(4,508,558)	(2,285,687)
Total net position	\$ 11,311,672	\$ 15,984,060	\$ 6,225,043	\$ 6,306,321	\$ 17,536,715	\$ 22,290,381

\$16,689,931 (95.1%) of the net position reflects the City's investment in capital assets, less any related debt used to acquire those assets that are still outstanding. Since these assets are used to provide services to the citizens they are not available for future spending. An additional \$5,355,342 (30.5%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position resulted in a negative amount of \$4,508,558 (-25.7%) mainly due to the net pension liability of over \$4.5 million that the City now has to account for as part of the City's Statement of Net Position.

A summary of the government-wide Statement of Activities for the year ended June 30, 2017 and 2016 are as follows:

Table 2  
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues and transfers</b>						
Program revenues:						
Charges for services	\$ 2,378,029	\$ 1,572,942	\$ 300	\$ -	\$ 2,378,329	\$ 1,572,942
Operating contributions and grants	705,444	328,397	-	-	705,444	328,397
Capital contributions and grants	287,229	297,986	-	-	287,229	297,986
General revenues:						
Property tax	2,605,037	2,363,798	-	-	2,669,513	2,363,798
Sales tax	852,223	762,449	-	-	852,223	762,449
Motor vehicle in lieu	5,517	4,984	-	-	5,517	4,984
Other taxes	508,534	535,942	-	-	508,534	535,942
Use of money & property	414,118	332,475	6,992	2,905	356,634	335,380
Other revenues	60,887	28,520	-	-	60,887	28,520
<b>Total revenues and transfers</b>	<b>7,817,018</b>	<b>6,227,493</b>	<b>7,292</b>	<b>2,905</b>	<b>7,824,310</b>	<b>6,230,398</b>
<b>Expenses</b>						
General government	4,910,949	887,708	-	-	4,910,949	887,708
Public safety	2,091,160	1,992,749	-	-	2,091,160	1,992,749
Public works	2,735,516	1,926,298	-	-	2,735,516	1,926,298
Economic development	34,136	13,422	-	-	34,136	13,422
Cultural and recreation	2,709,994	2,015,575	-	-	2,709,994	2,015,575
Interest on long-term debt	2,651	49,668	-	-	2,651	49,668
Waste water disposal	-	-	88,570	88,570	88,570	88,570
<b>Total Expenses</b>	<b>12,484,406</b>	<b>6,885,420</b>	<b>88,570</b>	<b>88,570</b>	<b>12,572,976</b>	<b>6,973,990</b>
<b>Extraordinary item</b>						
Gain on asset transfers from the S/A	-	4,073,498	-	-	-	4,073,498
Change in net position	(4,667,388)	3,415,571	(81,278)	(85,665)	(4,748,666)	3,329,906
Beginning net position	15,984,060	12,568,489	6,306,321	6,391,986	22,290,381	18,960,475
Restatement of Net Position	(5,000)	-	-	-	(5,000)	-
<b>Ending net position</b>	<b>\$ 11,311,672</b>	<b>\$ 15,984,060</b>	<b>\$ 6,225,043</b>	<b>\$ 6,306,321</b>	<b>\$ 17,536,715</b>	<b>\$ 22,290,381</b>

The increase or decrease in net position can provide an indication as to whether the overall financial position of the City improved or worsened during the year. The total net position of the City decreased by \$4,753,666 or 21.3% during the fiscal year. This decrease was mainly due to the sale of various parcels of land by the Grand Terrace to the Lewis Group and the increase in net pension liability. Taken separately, the net position of governmental activities decreased by \$4,672,388 while the net position of business-type activities decreased by \$81,278. Total expenses of \$12,572,976 were offset by total revenues of \$7,824,310. In the Statement of Activities, expenditures do not include the cost of assets capitalized during the year or payments made on principal of outstanding debt. Depreciation is shown for governmental funds on this table, but the expense is not recorded in each individual fund.

After the deduction of capitalized assets, the next largest component in changes to net position is the actual increase or decrease in fund balances resulting from operations. For governmental funds there was a net decrease of \$1,102,975. Of this amount, a net increase of \$190,520 is attributable to the nonmajor funds, a net decrease of \$31,726 to the Capital Improvement- Streets Fund, a net decrease of \$135,676 to the Child Care Center Fund, a net decrease of \$8,129 to the Housing Authority, a net increase of \$161,917 to the Street Improvement Fund, with the difference being a net decrease to the General Fund of \$1,279,881.

### Governmental Activities

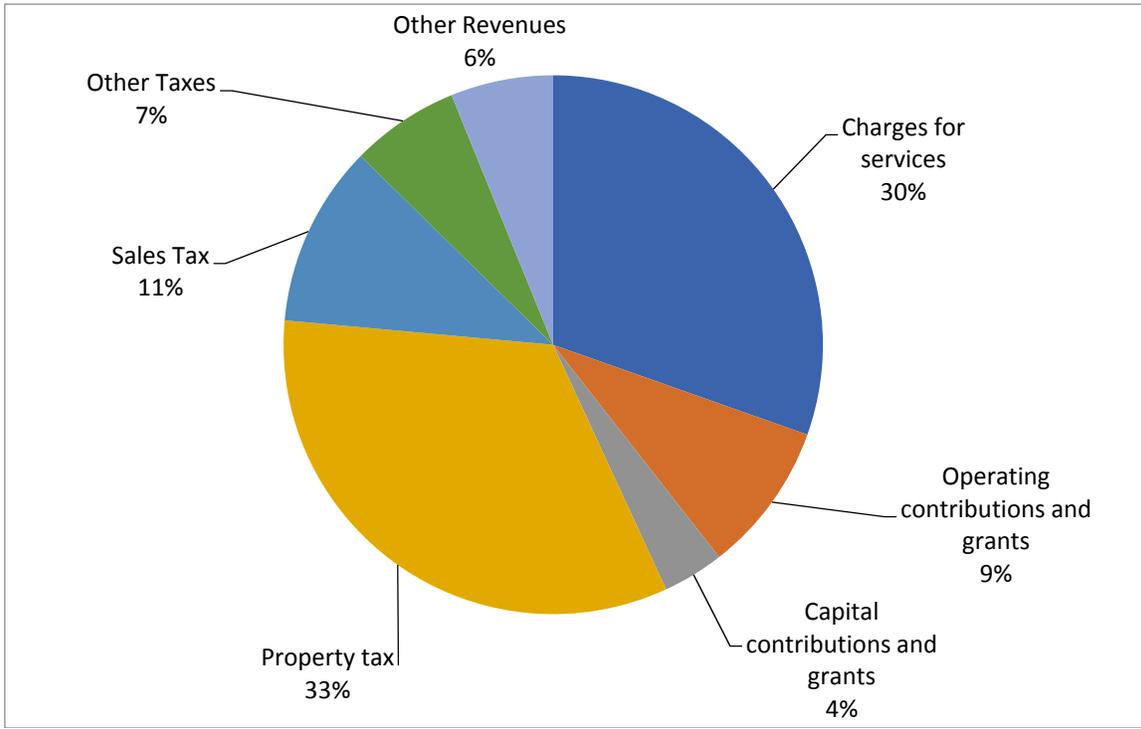
The following table shows the cost of each of the City's major programs and their net cost after subtracting fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City taxpayers by each of the programs.

#### Net Cost of Governmental Activities

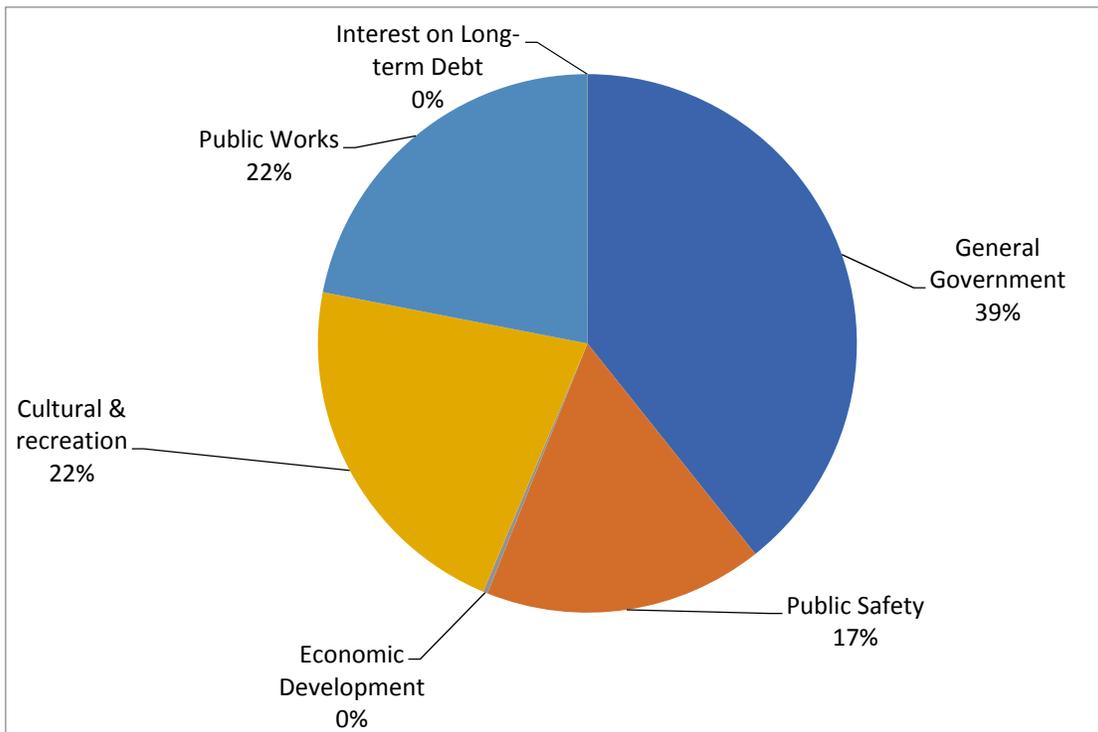
	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 4,910,949	\$ 4,750,698	\$ 887,708	\$ 770,017
Public safety	2,091,160	1,849,714	1,992,749	1,807,331
Public works	2,735,516	779,743	1,926,298	1,082,036
Economic development	34,136	29,808	13,422	12,552
Cultural and recreation	2,709,994	1,701,090	2,015,575	964,491
Interest on long-term debt	2,651	2,651	49,668	49,668
<b>Total</b>	<b>\$ 12,484,406</b>	<b>\$ 9,113,704</b>	<b>\$ 6,885,420</b>	<b>\$ 4,686,095</b>

This table shows the cost of all governmental activities this year was \$12,484,406. General tax dollars paid for approximately 32 percent of this cost. Fees, grants and contributions and fund balances at the beginning of the fiscal year funded the balance of the cost of governmental activities.

**Revenues by Source - Governmental Activities \$7,817,018**



**Expenses by Function - Governmental Activities - \$12,484,406**

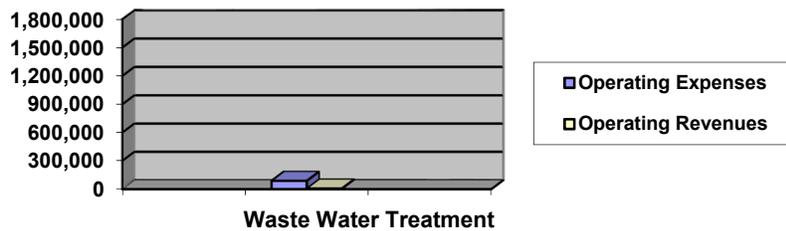


## Business-Type Activity

In March 2014, the cities of Grand Terrace and Colton entered into sewer services and lease agreements for fifty (50) years. These agreements extricated Grand Terrace from the waste water collection business. In accordance with the Sewer Services Agreement with the City of Colton/ Colton Utility Authority, the provision of sewer services for the City's residents and businesses are no longer being directly provided by the City of Grand Terrace. Hence, the City of Grand Terrace no longer receives sewer services revenues from the City's residents and businesses. Likewise, sewer- services related expenditures are also no longer being incurred and recorded in the City's Waste Water Disposal Fund. The following were the only financial- related activities recorded in the City's Waste Water Disposal Fund during FY 2016-17:

- Annual depreciation amounting to \$88,570 of all waste water sewer capital assets which are still owned by the City; and
- Interest income of \$6,992 earned by the remaining cash in the Waste Water Disposal Fund.

### Expenses and Program Revenues – Business-type Activities



## Major Funds

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

### Major Governmental Funds:

The **General Fund** is the main operating fund of the City. At the end of FY 2016-17, the fund balance of the General Fund decreased by \$1,271,691 from a fund balance of \$2,189,411 at June 30, 2016 to \$917,720 at June 30, 2017. Total fund balance in all Governmental Funds was \$5,880,785.

The General Fund Revenues and Expenditures are shown below:

	<u>2016-2017</u>	<u>2015-2016</u>	Increase (Decrease) in <u>Fund Balance</u>
Revenues	\$ 5,570,613	\$ 4,424,242	\$ 1,146,371
Expenditures	(6,748,536)	(4,557,025)	(2,191,511)
Other Sources (Uses)	<u>(101,958)</u>	<u>(92,021)</u>	<u>(9,937)</u>
Net Change in Fund Balance	(1,279,881)	(224,804)	(1,055,077)
Beginning Fund Balance	2,189,411	2,414,215	(224,804)
Restatements	<u>8,190</u>	<u>-</u>	<u>8,190</u>
Ending Fund Balance	<u>\$ 917,720</u>	<u>\$ 2,189,411</u>	<u>\$ (1,279,881)</u>

The significant highlights in activities, revenues and expenditures of the City's General Fund from the prior year are as follows:

- General Fund expenditures and transfers out exceeded revenues and transfers in by \$1,279,881. Total General Fund revenues increased by \$1,146,371 or 25.9 percent from FY 2015-16. This increase in revenues is mainly due to the increase in taxes collection by \$0.3 million, the increase in charges for services by \$0.1 million, the \$250,491 total proceeds of the sale of land to the Lewis Group and Dr. McDuffee and the transfer of \$289,015 of the 2011 Tax Allocation bond proceeds to the City of Grand Terrace.
- Property taxes received increased by 10 percent from \$2,351,832 to \$2,592,716, a difference of about \$241,000. This increase in property tax is attributable to following revenues - the increase in Property Tax- VLF Swap of \$39,227, the increase of \$13,618 in Statutory Property Tax, the increase in RPTTF residual receipts by \$140,240, and the increase in Real Property Transfer Tax by \$48,641.
- Gross Sales tax and Sales tax-in-lieu increased by 5 percent from \$814,510 to \$852,223. During FY 2016-17, Sales Tax revenue was decreased by the \$80,665 payment made to One Source as economic incentive payment.
- Charges for service, including licenses and permits in FY 2016-17 increased by 12 percent from \$914,947 to \$1,024,284. The following are the revenues belonging to this category that increased most during the fiscal year: Dog license fees increased by \$18,959, Rental inspection fees increased by \$11,238, Construction permits increased by \$47,776, Building & Safety plan review fees increased by \$29,332 and Site & Architectural review fees increased by \$14,938.
- Fines and forfeitures received during FY 2016-17 increased by \$31,534 or 70 percent from \$44,780 during FY 2015-16 to \$76,314 during FY 2016-17. The increase in this category is resulted from increased collections of the following General Fund revenues: Court fines increased by \$5,825, Parking citations increased by \$15,365, Code Enforcement fines increased by \$6,497 and Street Sweeping citation revenues increased by \$9,056.

- The overall operating expenditures of the General Fund increased by 48 percent over the prior year - from \$4.5 million to \$6.7 million. The negative variance of about \$2.2 million between FY 2015-16 and FY 2016-17 was mainly due to the following: Capital outlay- purchase of land plus costs of clearing the property for \$924,444, and full payment of the City's loan with Zion Bank for \$1,021,452.
- The total general government expenditures category showed an increase in expenditures amounting to \$220,321. The cultural and recreation category, the public safety category and the Public Works category also all showed an increase in expenditures by \$174,727 and \$69,228, and \$78,458 respectively. Interest and fiscal charges category decreased by \$37,119 compared to the previous fiscal year.
- Of the total \$6,748,536 in General fund operating expenditures, total general government expenditures represented 13.5 percent, Public works expenditures represented 17.1 percent, Public safety expenditures represented 28.9 percent and Project Improvement costs represented 14.2 percent. The other 26.3 percent represented expenditures relating to cultural & recreation and debt service payments.

Other major governmental funds include the Street Improvement Fund, the Housing Authority Fund, the Child Care Center Fund, and the Capital Improvements- Streets Fund.

The Street Improvement Fund had a net change of \$161,917 during the fiscal year.

The fund balance of the Housing Authority Fund decreased by \$8,129 during FY 2016- 17. This fund accounts for the housing assets as a result of the dissolution of community redevelopment agency of the City.

The Child Care Center Fund ended the fiscal year with a net change of (\$135,676), while the Capital Projects Fund had a net change of (\$31,726) at June 30, 2017.

### **Nonmajor Funds**

The Nonmajor funds, as listed in the table of contents of this report, include Gas Tax, Measure I, the Capital Improvement Funds, and most of the special revenue funds.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as trustee. The Statement of Fiduciary Net Position, included in the Basic Financial Statements, separately reports all of the City's fiduciary activities. The City's fiduciary activities are reported in separate statements of fiduciary net position and statement of changes in fiduciary net position (Private Purpose Trust Fund- Successor Agency of the Former RDA only). Fiduciary funds are not reflected in the government- wide financial statements because the resources of those funds are not available to support the City's own programs. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes

## Capital Assets

As of June 30, 2017, the City had invested \$16,689,931, in a broad range of capital assets, including buildings, parks and park improvements, computer and maintenance equipment, vehicles, sewer collection systems, streets, sidewalks and storm drains. The City is exempt by provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 from including the valuation of old City infrastructure prior to the implementation of GASB Statement No. 34.

Additional information on the City's capital assets can be found in Note 5 of the notes to the accompanying financial statements.

### Capital Assets (Net of depreciation)

	Governmental Activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,262,881	\$ 6,250,567	\$ -	\$ -	\$ 3,262,881	\$ 6,250,567
Buildings	2,902,324	3,057,926	-	-	2,902,324	3,057,926
Improvements	2,533,426	2,748,563	105,354	113,782	2,638,780	2,862,345
Equipment	218,744	228,081	-	-	218,744	228,081
Vehicles	69,140	82,242	-	-	69,140	82,242
Infrastructure	2,359,519	2,559,511	-	-	2,359,519	2,559,511
Sewer mains	-	-	2,551,575	2,596,276	2,551,575	2,596,276
Sewer laterals	-	-	1,286,821	1,307,831	1,286,821	1,307,831
Sewer manholes	-	-	853,088	867,519	853,088	867,519
Construction in progress	547,059	474,776	-	-	547,059	474,776
	<u>\$ 11,893,093</u>	<u>\$ 15,401,666</u>	<u>\$ 4,796,838</u>	<u>\$ 4,885,408</u>	<u>\$ 16,689,931</u>	<u>\$ 20,287,074</u>

## Long-Term Debt

At the end FY 2016-17, the City had debt outstanding of \$6,411,117. During the fiscal year, the City paid off in full the debt owed to Zions National Bank for the Civic Center facility. The City's net pension liability increased by \$666,663 from \$3,870,057 in the prior fiscal year to \$4,536,720 at the end of June 30, 2017. The remaining \$1,874,397 is comprised of other debt such as OPEB obligations for retiree health benefits, CJPIA retrospective liability owed to the California Joint Powers Insurance Authority and compensated absences payable.

The City's total debt decreased by \$271,497 during FY 2016-2017. This amounted to a 4.1% decrease in the City's total debt compared to the previous fiscal year. Although paying in full the City's debt to Zions Bank alone should have reduced the City's debt by over 1 million, the increase in both the City's OPEB obligation and Net Pension liability resulted in a much lower net decrease in the City's debt.

Additional information on the City's long-term debt can be found in Note 6 of the notes to the accompanying financial statements.

**Outstanding Debt  
Governmental Activities**

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Leases Payable- Zions Bank	\$ -	\$ 1,021,452	\$(1,021,452)
CJPIA Retrospective Liability	126,785	175,830	(49,045)
OPEB obligation	1,619,685	1,506,894	112,791
Net Pension Liability	4,536,720	3,870,057	666,663
Compensated Absences	<u>127,927</u>	<u>108,381</u>	<u>19,546</u>
Total Outstanding Debt	<u>\$ 6,411,117</u>	<u>\$ 6,682,614</u>	<u>\$ (271,497)</u>

**Economic Factors and Outlook for Future Years**

2018 marks the 40<sup>th</sup> Anniversary of the incorporation of the City of Grand Terrace and it continues to show resilience with a healthy mix of property and sales taxes to sustain core services. The Council and City staff understands that in order to maintain its existing quality of life, it must seek partnerships with external and internal agencies to increase the community's leisure and commercial venues. Grand Terrace has stayed the course by following its fiscal strategy of moving toward a sustainable budget. The City Council continues to insure budget appropriations do not exceed expected revenues and that the City retains an 18% fund balance recommended by the Government Accounting Standards Board (GASB).

The City is in the middle of liquidating redevelopment agency properties and hopes to transfer them into private holdings to increase commercial retail opportunities in Grand Terrace. Grand Terrace's economic development strategy includes retention and expansion of existing business and soliciting new businesses that would enhance the quality of life of Grand Terrace and the surrounding communities. The City continues to push its \$500,000,000 marketing strategy, the MIDAS (Municipal Investment in Development to Achieve Success) program which consist of various public and private economic development partnerships within the City of Grand Terrace.

Grand Terrace has a current population of approximately 12,285 and is the smallest of the Inland Empire cities in the urban core. The City is geographically located between two of the most populous cities in the Inland Empire (Riverside and San Bernardino). While largely a bedroom community, Grand Terrace is in a position to take advantage of the new commercial and housing renaissance.

Construction of the I-215/Barton Rd. interchange project is underway, the \$105,000,000 project is fully funded from CalTrans and SBCTA (San Bernardino County Transportation Authority) funds. The interchange will increase capacity from 28,000 cars per day to over 40,000 cars per day. The intersection project will support the following projects:

1. \$154,000,000 Grand Terrace High School completed in Spring 2012. The school brings in an additional 4,000 people into the community every day, which has supported a 10% increase in sales tax revenue in our casual dining category and made our new local Stater Bros. Market one of the top 10 performing stores.

2. Spring Valley Ranch housing project located in Riverside County but accessed through the City of Grand Terrace and Barton Road Interchange. At build-out it will have over 4,000 single family residences with very little to no commercial retail development. The City believes this will also continue to support sales tax growth to Barton Road businesses.
3. The 130-acre Gateway Specific Plan submitted by the Lewis Group at the end of 2017. The developer will combine City owned land with other surrounding vacant parcels for a project that is estimated to significantly enhance residential and retail opportunities for Grand Terrace. Staff anticipates this project to be completed in the fall of 2020.
4. The City continues to market other Successor Agency and Housing Successor Agency properties along Barton Rd and expects those properties to be developed as Barton Road is expected to be the commercial lifeblood of Grand Terrace over the next 5 years.

On the residential side, the City wants to maintain its quality of life and reputation of having the lowest crime rate, highest median income with clean parks and streets. Therefore, new housing development will include mixed-use projects that incorporate quality housing stock with an emphasis on accessibility and walkable friendly neighborhoods. The City is implementing its Active Transportation Grant, opening its new dog park, aquatic venue and revitalized soccer fields and is expected to spend Special Revenue Funds to create several recreational amenities (such as the Blue Mountain Nature Trail), to transform unused space vibrant recreational gathering locations throughout the City.

As a result of the improving economy, our property values are growing, placing Grand Terrace's real estate strength as one of the strongest in the inland empire. Yet Grand Terrace's sales tax revenues are vulnerable as over 50% of our sales taxes are generated from 5 businesses in the City. This fact became a reality as its number one sales tax generator relocated to Riverside County. Therefore, Grand Terrace continues to try and diversify its tax base by seeking major retail businesses to fill the retail sales leakage of Grand Terrace and the surrounding communities.

The City Council is following its 2030 vision adopted in May 2014 and recently held planning session to reaffirm the vision in May 2017. This is the City's first ever adopted Vision. It contains five, specific goals, with Goal #1 "Ensuring our Fiscal Viability" underscored by Goal #3 "Promote Economic Development". The City's Five-Year Financial Analysis is manageable. However, as the Council deals with citizens increased request for services, the City continues to explore ways to increase overall revenue. The Council continues to explore Enhanced Infrastructure Financial Districts (EIFD), Cap and Trade Funding and accessing its options to use \$2,000,000 in Redevelopment Bond proceeds. Although the additional funds are special funds, they will be able to support infrastructure and acquisition of property to further support the City's effort to build an environment for economic development growth.

The City will utilize the last of its FY2014-15 budget surplus to support additional hours for extra police patrol. Currently, citizens are in the process to self-assess themselves to increase the level of public safety services. The petition to add a special property tax are due in April for a November 2018 election. The citizen-initiated effort shows the community is supporting the City's effort to make prudent fiscal decisions to insure a whole host of public services are provided and supported within the fiscal constraints of revenues generated.

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CITY OF GRAND TERRACE

STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 5,911,986	\$ 1,175,080	\$ 7,087,066
Receivables:			
Accounts	139,235	-	139,235
Notes and loans	728,196	-	728,196
Accrued interest	1,754	-	1,754
Internal balances	(260,000)	260,000	-
Prepaid costs	11,045	-	11,045
Due from other governments	789,478	-	789,478
Land held for resale	640,166	-	640,166
Capital assets not being depreciated	3,809,940	-	3,809,940
Capital assets, net of depreciation	8,083,153	4,796,838	12,879,991
<b>Total Assets</b>	<b>19,854,953</b>	<b>6,231,918</b>	<b>26,086,871</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension related items	1,143,285	-	1,143,285
<b>Total Deferred Outflows of Resources</b>	<b>1,143,285</b>	<b>-</b>	<b>1,143,285</b>
<b>Liabilities:</b>			
Accounts payable	937,148	-	937,148
Accrued liabilities	58,040	-	58,040
Deposits payable	4,663	6,875	11,538
Due to other governments	948,087	-	948,087
Noncurrent liabilities:			
Due within one year	90,760	-	90,760
Due in more than one year	163,952	-	163,952
Net OPEB obligation	1,619,685	-	1,619,685
Net pension liability	4,536,720	-	4,536,720
<b>Total Liabilities</b>	<b>8,359,055</b>	<b>6,875</b>	<b>8,365,930</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension related items	1,327,511	-	1,327,511
<b>Total Deferred Inflows of Resources</b>	<b>1,327,511</b>	<b>-</b>	<b>1,327,511</b>
<b>Net Position:</b>			
Net investment in capital assets	11,893,093	4,796,838	16,689,931
Restricted for:			
Community development projects	3,123,875	-	3,123,875
Public safety	20,802	-	20,802
Public works	2,210,665	-	2,210,665
Unrestricted	(5,936,763)	1,428,205	(4,508,558)
<b>Total Net Position</b>	<b>\$ 11,311,672</b>	<b>\$ 6,225,043</b>	<b>\$ 17,536,715</b>

CITY OF GRAND TERRACE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 4,910,949	\$ 154,251	\$ 6,000	\$ -
Public safety	2,091,160	112,081	129,365	-
Economic development	34,136	-	4,328	-
Cultural and recreation	2,709,994	1,008,904	-	-
Public works	2,735,516	1,102,793	565,751	287,229
Interest on long-term debt	2,651	-	-	-
<b>Total Governmental Activities</b>	<b>12,484,406</b>	<b>2,378,029</b>	<b>705,444</b>	<b>287,229</b>
Business-Type Activities:				
Waste Water Disposal	88,570	300	-	-
<b>Total Business-Type Activities</b>	<b>88,570</b>	<b>300</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 12,572,976</b>	<b>\$ 2,378,329</b>	<b>\$ 705,444</b>	<b>\$ 287,229</b>

**General Revenues:**

Taxes:

- Property taxes, levied for general purpose
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Motor vehicle in lieu - unrestricted
- Use of money and property
- Other

**Total General Revenues**

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at Beginning of Year, as Restated

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,750,698)	\$ -	\$ (4,750,698)
(1,849,714)	-	(1,849,714)
(29,808)	-	(29,808)
(1,701,090)	-	(1,701,090)
(779,743)	-	(779,743)
(2,651)	-	(2,651)
<b>(9,113,704)</b>	<b>-</b>	<b>(9,113,704)</b>
-	(88,270)	(88,270)
-	<b>(88,270)</b>	<b>(88,270)</b>
<b>(9,113,704)</b>	<b>(88,270)</b>	<b>(9,201,974)</b>
2,605,037	-	2,605,037
852,223	-	852,223
415,061	-	415,061
93,473	-	93,473
5,517	-	5,517
414,118	6,992	421,110
60,887	-	60,887
<b>4,446,316</b>	<b>6,992</b>	<b>4,453,308</b>
(4,667,388)	(81,278)	(4,748,666)
15,984,060	6,306,321	22,290,381
(5,000)	-	(5,000)
15,979,060	6,306,321	22,285,381
<b>\$ 11,311,672</b>	<b>\$ 6,225,043</b>	<b>\$ 17,536,715</b>

CITY OF GRAND TERRACE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Street Improvement</u>	<u>Housing Authority</u>	<u>Child Care Center</u>
<b>Assets:</b>				
Cash and investments	\$ 2,112,305	\$ 1,490,420	\$ 26,376	\$ 500
Receivables:				
Accrued revenue	104,302	-	-	20,139
Notes and loans receivable	-	-	728,196	-
Interest receivable	1,754	-	-	-
Prepaid costs	11,045	-	-	-
Due from other funds	331,027	9,000	-	-
Due from other governments	218,846	-	448,636	1,481
Advances to other funds	-	-	168,205	-
Land held for resale	-	-	640,166	-
<b>Total Assets</b>	<b><u>\$ 2,779,279</u></b>	<b><u>\$ 1,499,420</u></b>	<b><u>\$ 2,011,579</u></b>	<b><u>\$ 22,120</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 199,834	\$ -	\$ 2,646	\$ 9,654
Accrued liabilities	57,978	-	-	62
Due to other funds	500,000	-	-	316,364
Due to other governments	926,922	-	21,165	-
Advances from other funds	168,205	-	-	-
Refundable deposits	-	4,663	-	-
<b>Total Liabilities</b>	<b><u>1,852,939</u></b>	<b><u>4,663</u></b>	<b><u>23,811</u></b>	<b><u>326,080</u></b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	8,620	-	59,196	4,010
<b>Total Deferred Inflows of Resources</b>	<b><u>8,620</u></b>	<b><u>-</u></b>	<b><u>59,196</u></b>	<b><u>4,010</u></b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	11,045	-	-	-
<b>Restricted for:</b>				
Community development projects	-	-	1,928,572	-
Public safety	-	-	-	-
Public works	-	1,494,757	-	-
<b>Committed to:</b>				
Committed to contingencies	433,457	-	-	-
Committed to equipment replacement	147,917	-	-	-
Committed to community services	25,417	-	-	-
Committed to additional public safety	294,833	-	-	-
<b>Unassigned</b>	<b><u>5,051</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(307,970)</u></b>
<b>Total Fund Balances</b>	<b><u>917,720</u></b>	<b><u>1,494,757</u></b>	<b><u>1,928,572</u></b>	<b><u>(307,970)</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 2,779,279</u></b>	<b><u>\$ 1,499,420</u></b>	<b><u>\$ 2,011,579</u></b>	<b><u>\$ 22,120</u></b>

CITY OF GRAND TERRACE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>Capital Projects Fund Capital Improvement- Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 619,999	\$ 1,662,386	\$ 5,911,986
Receivables:			
Accrued revenue	-	14,794	139,235
Notes and loans receivable	-	-	728,196
Interest receivable	-	-	1,754
Prepaid costs	-	-	11,045
Due from other funds	-	291,985	632,012
Due from other governments	-	120,515	789,478
Advances to other funds	-	-	168,205
Land held for resale	-	-	640,166
<b>Total Assets</b>	<b><u>\$ 619,999</u></b>	<b><u>\$ 2,089,680</u></b>	<b><u>\$ 9,022,077</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 620,554	\$ 104,460	\$ 937,148
Accrued liabilities	-	-	58,040
Due to other funds	12,733	62,915	892,012
Due to other governments	-	-	948,087
Advances from other funds	-	-	168,205
Refundable deposits	-	-	4,663
<b>Total Liabilities</b>	<b><u>633,287</u></b>	<b><u>167,375</u></b>	<b><u>3,008,155</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	61,311	133,137
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>61,311</u></b>	<b><u>133,137</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid costs	-	-	11,045
<b>Restricted for:</b>			
Community development projects	-	1,195,303	3,123,875
Public safety	-	20,802	20,802
Public works	-	715,908	2,210,665
<b>Committed to:</b>			
Committed to contingencies	-	-	433,457
Committed to equipment replacement	-	-	147,917
Committed to community services	-	-	25,417
Committed to additional public safety	-	-	294,833
<b>Unassigned</b>	<b><u>(13,288)</u></b>	<b><u>(71,019)</u></b>	<b><u>(387,226)</u></b>
<b>Total Fund Balances</b>	<b><u>(13,288)</u></b>	<b><u>1,860,994</u></b>	<b><u>5,880,785</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 619,999</u></b>	<b><u>\$ 2,089,680</u></b>	<b><u>\$ 9,022,077</u></b>

**CITY OF GRAND TERRACE**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

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Fund balances of governmental funds		\$ 5,880,785
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		
Capital assets	\$ 21,425,507	
Accumulated depreciation	<u>(9,532,414)</u>	11,893,093
Deferred outflows of resources reported for the pension plan for government-wide statements are as follows:		
Pension contributions made subsequent to the measurement date	424,915	
Difference between expected and actual experience	13,442	
Net difference between projected and actual earnings on pension plan investments	661,891	
Adjustment due to difference in proportions	41,583	
Differences in proportionate share	<u>1,454</u>	1,143,285
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Long-term liabilities		
CJPIA retrospective payable	(126,785)	
Compensated absences	<u>(127,927)</u>	(254,712)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an asset or liability.		(1,619,685)
Governmental funds report all pension contributions as expenditures, however, in the statement of net position, the excess of the plan proportionate share of the total pension liability over the proportionate share of the plan fiduciary net position is reported as a net pension liability.		(4,536,720)
Deferred inflows of resources reported for the pension plan for government-wide statements are amortized:		
Change in assumptions	(127,173)	
Difference between expected and actual experience	(3,080)	
Adjustment due to difference in proportions	(929,287)	
Differences in proportionate share	<u>(267,971)</u>	(1,327,511)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>133,137</u>
<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 11,311,672</u></u></b>

CITY OF GRAND TERRACE

STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			
	General	Street Improvement	Housing Authority	Child Care Center
<b>Revenues:</b>				
Taxes	\$ 3,444,939	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Intergovernmental	32,020	-	-	-
Charges for services	1,024,284	153,314	-	916,556
Use of money and property	393,267	8,603	175	(979)
Fines and forfeitures	76,314	-	-	-
Contributions	289,015	-	-	-
Miscellaneous	310,774	-	-	-
<b>Total Revenues</b>	<b>5,570,613</b>	<b>161,917</b>	<b>175</b>	<b>915,577</b>
<b>Expenditures:</b>				
Current:				
General government	907,146	-	-	-
Public safety	1,949,311	-	-	-
Public works	1,156,748	-	-	-
Economic development	-	-	8,304	-
Cultural and recreation	737,241	-	-	1,051,253
Capital outlay:				
Project improvement costs	958,000	-	-	-
Debt service:				
Principal retirement	1,021,452	-	-	-
Interest and fiscal charges	18,638	-	-	-
<b>Total Expenditures</b>	<b>6,748,536</b>	<b>-</b>	<b>8,304</b>	<b>1,051,253</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,177,923)	161,917	(8,129)	(135,676)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(101,958)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(101,958)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(1,279,881)	161,917	(8,129)	(135,676)
Fund Balances, Beginning of Year, as previously reported	2,189,411	1,332,840	1,944,891	(172,294)
Restatements	8,190	-	(8,190)	-
Fund Balances, Beginning of Year, as restated	2,197,601	1,332,840	1,936,701	(172,294)
<b>Fund Balances, End of Year</b>	<b>\$ 917,720</b>	<b>\$ 1,494,757</b>	<b>\$ 1,928,572</b>	<b>\$ (307,970)</b>

CITY OF GRAND TERRACE

STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<u>Capital Projects Fund</u>		
	<u>Capital Improvement- Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ 12,321	\$ 3,457,260
Assessments	-	217,800	217,800
Intergovernmental	-	1,044,308	1,076,328
Charges for services	-	372,963	2,467,117
Use of money and property	1,560	11,169	413,795
Fines and forfeitures	-	8,608	84,922
Contributions	-	-	289,015
Miscellaneous	-	21,161	331,935
<b>Total Revenues</b>	<b><u>1,560</u></b>	<b><u>1,688,330</u></b>	<b><u>8,338,172</u></b>
<b>Expenditures:</b>			
Current:			
General government	-	16,850	923,996
Public safety	-	129,295	2,078,606
Public works	618,157	618,549	2,393,454
Economic development	-	-	8,304
Cultural and recreation	-	109,233	1,897,727
Capital outlay:			
Project improvement costs	2,396	138,574	1,098,970
Debt service:			
Principal retirement	-	-	1,021,452
Interest and fiscal charges	-	-	18,638
<b>Total Expenditures</b>	<b><u>620,553</u></b>	<b><u>1,012,501</u></b>	<b><u>9,441,147</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(618,993)</u>	<u>675,829</u>	<u>(1,102,975)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	587,267	186,798	774,065
Transfers out	-	(672,107)	(774,065)
<b>Total Other Financing Sources (Uses)</b>	<b><u>587,267</u></b>	<b><u>(485,309)</u></b>	<b><u>-</u></b>
Net Change in Fund Balances	<u>(31,726)</u>	<u>190,520</u>	<u>(1,102,975)</u>
Fund Balances, Beginning of Year, as previously reported	18,438	1,675,474	6,988,760
Restatements	-	(5,000)	(5,000)
Fund Balances, Beginning of Year, as restated	<u>18,438</u>	<u>1,670,474</u>	<u>6,983,760</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ (13,288)</u></b>	<b><u>\$ 1,860,994</u></b>	<b><u>\$ 5,880,785</u></b>

**CITY OF GRAND TERRACE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

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Net change in fund balances - total governmental funds \$ (1,102,975)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. The activity is reconciled as follows:

Cost of assets capitalized	\$ 1,102,307	
Depreciation expense	(698,750)	
Disposition of capital assets	<u>(3,912,130)</u>	(3,508,573)

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 an effect on net position.

Capital lease payments		1,021,452
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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.

Change in OPEB obligation	(112,791)	
Change in insurance payable	49,045	
Change in compensated absences payable	(19,546)	
Change in accrued interest payable on long-term debt	<u>15,987</u>	(67,305)

Pension obligation 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.

(739,324)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

(270,663)

**Change in Net Position of Governmental Activities**

**\$ (4,667,388)**

CITY OF GRAND TERRACE

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2017

	<u>Business-Type Activity</u>
	<u>Waste Water Disposal</u>
<b>Assets:</b>	
Current:	
Cash and investments	\$ 1,175,080
Due from other funds	260,000
	<u>1,435,080</u>
<b>Total Current Assets</b>	<b>1,435,080</b>
Noncurrent:	
Capital assets:	
Sewer system	7,415,106
Less accumulated depreciation	<u>(2,618,268)</u>
	<u>4,796,838</u>
<b>Total Noncurrent Assets</b>	<b>4,796,838</b>
	<u><b>\$ 6,231,918</b></u>
<b>Liabilities and Net Position</b>	
<b>Liabilities:</b>	
Current:	
Deposits payable	\$ 6,875
	<u>6,875</u>
<b>Total Current Liabilities</b>	<b>6,875</b>
	<u>6,875</u>
<b>Total Liabilities</b>	<b>6,875</b>
<b>Net Position:</b>	
Net investment in capital assets	4,796,838
Unrestricted	<u>1,428,205</u>
	<u>6,225,043</u>
<b>Total Net Position</b>	<b>6,225,043</b>
	<u><b>\$ 6,231,918</b></u>

CITY OF GRAND TERRACE

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activity</u>
	<u>Waste Water Disposal</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 300
<b>Total Operating Revenues</b>	<u>300</u>
<b>Operating Expenses:</b>	
Depreciation expense	<u>88,570</u>
<b>Total Operating Expenses</b>	<u>88,570</u>
Operating Income (Loss)	<u>(88,270)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest income	<u>6,992</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>6,992</u>
Changes in Net Position	<u>(81,278)</u>
<b>Net Position:</b>	
Beginning of Year	<u>6,306,321</u>
<b>End of Fiscal Year</b>	<u><u>\$ 6,225,043</u></u>

CITY OF GRAND TERRACE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 JUNE 30, 2017

	<u>Business-Type Activity</u>
	<u>Waste Water Disposal</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 300
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>300</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Payment for due from other funds	<u>(260,000)</u>
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(260,000)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest received	<u>6,992</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>6,992</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(252,708)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,427,788</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 1,175,080</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	<u>\$ (88,270)</u>
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>	
Depreciation	<u>88,570</u>
<b>Total Adjustments</b>	<u>88,570</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 300</u></u>

CITY OF GRAND TERRACE

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2017

	Agency Funds	Successor Agency Private Purpose Trust Fund
<b>Assets:</b>		
Cash and investments	\$ 390,286	\$ 19,092,805
Receivables:		
Interest	-	36,097
Due from other governments	-	925,272
Land held for resale	-	768,974
Restricted assets:		
Cash and investments with fiscal agent	-	1,759,040
<b>Total Assets</b>	<b>\$ 390,286</b>	<b>22,582,188</b>
<b>Liabilities:</b>		
Accounts payable	\$ 1,535	2,812
Accrued interest	-	374,788
Due to other governments	-	1,410,074
Due to external parties	388,751	-
Long-term liabilities:		
Due in one year	-	630,000
Due in more than one year	-	17,376,176
<b>Total Liabilities</b>	<b>\$ 390,286</b>	<b>19,793,850</b>
<b>Net Position:</b>		
Held in trust for other purposes		2,788,338
<b>Total Net Position</b>		<b>\$ 2,788,338</b>

CITY OF GRAND TERRACE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2017

	<b>Successor Agency Private Purpose Trust Fund</b>
<b>Additions:</b>	
RPTTF distribution	\$ 2,189,708
Investment earnings	93,039
	<hr/>
<b>Total Additions</b>	<b>2,282,747</b>
	<hr/>
<b>Deductions:</b>	
Administrative expenses	210,330
Contractual services	43,884
Debt service payments - interest	1,147,475
Payments of enforceable obligations	289,015
	<hr/>
<b>Total Deductions</b>	<b>1,690,704</b>
	<hr/>
<b>Changes in Net Position</b>	<b>592,043</b>
	<hr/>
Net Position - Beginning of the Year	2,196,295
	<hr/>
<b>Net Position - End of the Year</b>	<b>\$ 2,788,338</b>
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I. SIGNIFICANT ACCOUNTING POLICIES

**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of Entity**

The City of Grand Terrace (City) was incorporated in November 1978 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (law enforcement), highways and streets, cultural and recreational activities, public improvements, planning and zoning, building and safety, low and moderate income housing programs, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Grand Terrace (the 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. These entities are legally separate from each other. However, the City of Grand Terrace's elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component unit balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The following component units of the City have been included in the financial reporting entity as blended component units.

A description of these component units and the method of incorporating their financial information in the accompanying general purpose financial statements are summarized as follows:

The City of Grand Terrace Public Financing Authority

The Grand Terrace Public Financing Authority (the Authority) was established on July 16, 1991, pursuant to a Joint Powers Agreement between the City of Grand Terrace and the former Community Redevelopment Agency of the City of Grand Terrace. The Authority was created to facilitate financing for public capital improvements benefiting the City and the former RDA. The City Council also acts as the governing body of the Authority. The Authority's activities are blended with those of the City. Separate financial statements are not prepared for the Grand Terrace Public Financing Authority.

There are several other governmental agencies, including the County of San Bernardino, school districts, and others, providing services within the City of Grand Terrace. Those agencies have independently elected governing boards other than the City Council of the City of Grand Terrace and no financial accountability to the City of Grand Terrace. Consequently, financial information for these agencies is not included within this financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**b. Government-Wide and Fund Financial Statements**

The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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 in these funds when susceptible to accrual (i.e., when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property taxes collected after year-end as available, if they are collected within 60 days of the end of the current fiscal period. Other revenue

## CITY OF GRAND TERRACE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017

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#### Note 1: Organization and Summary of Significant Accounting Policies (Continued)

susceptible to accrual includes sales tax, state gasoline taxes, investment income, and certain other intergovernmental revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, as well as compensated absences and claims and judgments, which are recognized when due.

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Street Improvement Fund accounts for all revenues collected for street capital improvement fees under the Municipal Code. Funds are expended in accordance with the latest adopted fiscal impact study and capital needs assessment.
- The Housing Authority Fund accounts for the housing assets transferred from the former redevelopment agency and Low and Moderate housing activities of the City. The fund activities are restricted for the same purposes as the former Low and Moderate Income Housing Fund of the Agency.
- The Child Care Center Fund accounts for the fully licensed child care program of the City, operated by experienced child care educators. The program provides a structured environment for physical, intellectual, and social development of the child.
- The Capital Improvements - Streets Fund accounts for financial resources used for the improvement of major capital street projects.

The City reports the following major proprietary fund:

- The Waste Water Disposal Fund is used to account for the remaining assets and liabilities of the fund that used to account for the provision of waste water disposal services to the residences and businesses of the City. Currently, a Sewer Services Agreement is in place between the City of Colton/Colton Utility Authority and the City of Grand Terrace for the provision of waste water disposal services by the City of Colton to residents and businesses of the City of Grand Terrace.

Additionally, the City reports the following fund types:

- The Private Purpose Trust Fund is used to account for the resources, obligations, and activities of the Successor Agency of the Redevelopment Agency of the City of Grand Terrace as directed by the Oversight Board to settle the affairs of the dissolved agency (see Note 13).
- The Agency Funds are used to account for the resources held by the City in a fiduciary capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**d. Other Accounting Policies**

1. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The County of San Bernardino collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1, the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

2. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds. Since cash and investments are pooled, the City utilizes the assumption that the cash and investments in the Enterprise Fund are cash and cash equivalents.

3. Investments

The City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

4. Property Held for Resale

Property held for resale is recorded at the lower of cost or net realizable value.

5. Compensated Absences

The short-term portion is determined to be the amount due to employees for future absences which is attributable to services already rendered and which is expected to be paid during the next fiscal year. The total amount of liability for compensated absences is segregated between short-term and long-term as indicated above and both portions are reflected in the government-wide statements.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than two times his regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Upon termination, regular employees with 5 years continuous service will be paid 40% for any unused sick leave.

6. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than or equal to \$5,000 (amount not rounded) and an estimated useful life of at least two years. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	50
Machinery & Equipment	5-15
Vehicles	6-15
Improvements other than buildings	15-20
Infrastructure	20-30
Sewer Lines	90

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. Deferred outflows relating to the net pension obligation reported in the government-wide statement of net position. These outflows are the results of contributions made after the measurement period, which are expensed in the following year, and of adjustments due to difference in proportions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions. These amounts are deferred and amortized over the expected average remaining service life time.

In addition to liabilities, the Statement of Net Position and the governmental Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items, one of which, arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to the net difference between projected and actual earnings on pension plan investments and the difference between actual contributions and the proportionate share of contributions.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

10. Fund Balance Policies

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes determined by a formal action of the City Council, the government's highest level of decision-making authority.
- Assigned – amounts the City intends to use for a specific purpose; intent can be expressed by City Council or by an official or body to which the City Council delegates the authority. By resolution, the Council has authorized the City Manager and/or Finance Director to assign fund balance.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in the general fund.

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

11. Use of Estimates

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

12. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, 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 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 under Forms and Publications.

**13. New Accounting Principles Adopted**

During the fiscal year ended June 30, 2017, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 77 – Tax Abatement Disclosures. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. This Statement requires disclosure of tax abatement information about (1) a government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

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II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

Deficit Fund Balances

As of June 30, 2017, the following funds have deficit fund balances:

	<u>Amount</u>
Child Care Center Fund	\$ (307,970)
Capital Improvements - Streets	(13,288)
Special Districts Landscape & Lighting District	(1,190)
Active Transportation Program	(52,546)
Enhanced Infrastructure Financing District	(16,758)
Capital Projects	(525)

These deficits will be funded by future revenues or transfers from other funds.

Budget

The following funds did not adopt a budget and therefore budgetary comparison information is not presented: Public, Educational and Government Fund and Barton/Colton Bridge Fund.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

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

Statement of Net Position:	
Cash and Investments	\$ 7,087,066
Statement of Fiduciary Net Position:	
Cash and Investments	19,483,091
Cash and Investments with Fiscal Agents	<u>1,759,040</u>
Total Cash and Investments	<u>\$ 28,329,197</u>

Cash and investments as of June 30, 2017, consist of the following:

Cash on Hand	\$ 1,750
Deposits with Financial Institutions	5,075,592
Investments	<u>23,251,855</u>
Total Cash and Investments	<u>\$ 28,329,197</u>

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Note 3: Cash and Investments (Continued)**

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (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. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
Repurchase Agreements	6 years	None	None
Certificates of Deposit	7 years	None	None
Passbook Savings Accounts	8 years	30%	None
Securities Issued by Federal Agencies	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 50,000,000
Mutual Funds	N/A	20%	None
Pools and other Investment Structures	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Government Obligations	5 years	None	None
FHLB's	6 years	None	None
FHLMC's	7 years	None	None
Farm Credit Banks	8 years	30%	None
FNMA's	N/A	None	None
Financing Corp Debt Obligations	N/A	None	\$ 50,000,000
Certificates of Deposit	N/A	20%	None
Deposits fully Insured by FDIC	N/A	None	None
USAID Guaranteed Notes	N/A	None	None
Investment Agreements	N/A	None	None
Bankers Acceptances	N/A	None	None
Municipal Obligations rated Aaa	N/A	None	None
Commercial Paper rated P-1	N/A	None	None
Repurchase Agreements	N/A	None	None
Money Market Mutual Funds rated AAAM	N/A	None	None

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

**Note 3: Cash and Investments (Continued)**

Disclosures Relating to 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, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations are presented below.

Authorized Investment Type	Amount	Remaining Investment Maturity 12 Months or Less
Certificates of Deposit	\$ 94,000	\$ 94,000
Local Agency Investment Fund (LAIF)	16,395,708	16,395,708
Local Gov. Invest. Pool (CAMP)	3,930,844	3,930,844
First American Treasury	1,072,263	1,072,263
Held by Trustee:		
Money Market Mutual Funds	1,759,040	1,759,040
Total	\$ 23,251,855	\$ 23,251,855

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Information about the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each type of investment held by the City can be found below.

Authorized Investment Type	Amount	Minimum Legal Rating	Actual Rating
Certificates of Deposit	\$ 94,000	N/A	N/A
Local Agency Investment Fund (LAIF)	16,395,708	N/A	N/A
Local Gov. Invest. Pool (CAMP)	3,930,844	N/A	N/A
First American Treasury	1,072,263	N/A	N/A
Held by Trustee:			
Money Market Mutual Funds - Fiscal Agents	1,759,040	AAAm	AAAm/A+
Total	\$ 23,251,855		

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 3: Cash and Investments (Continued)**

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During the fiscal year ended June 30, 2017, the City did not hold any investments in any one issuer (other than Mutual Funds and External Investment Pools) that represent 5% or more of total City's investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, the City had deposits with financial institutions in excess of federal depository insurance limits of \$3,831,491 and \$626,542 per account held in collateralized accounts for the City and Successor Agency, respectively.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 are recorded on an amortized cost basis.

LAIF has reported to its participating agencies that, as of June 30, 2017, the carrying amount (at amortized cost) of the Pool was \$77,621,442,814 and the estimated fair value of the Pool was \$77,539,216,146. The City's proportionate share of the Pool's market value (as determined by LAIF) as of June 30, 2017, was \$16,395,708. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities.

Local Government Investment Pool

The City is a voluntary participant in the Local Government Investment Pool, "CAMP" (California Asset Management Program). CAMP is a California Joint Powers Authority,

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Note 3: Cash and Investments (Continued)**

established to provide public agencies with professional investment services, and is directed by a Board of Trustees, which is made up of experienced local government finance directors and treasurers. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p).

The City reports its share in the investment pool at the estimated fair market value. As of June 30, 2017, the City's share of the Pool (as determined by CAMP) is \$3,930,844. Included in the CAMP's investment portfolio are U.S. treasury notes, bonds, bills or certificates of indebtedness or other obligations of the United States, federal agency or U.S. government-sponsored enterprise obligations, participations or other instruments, repurchase agreements, bills of exchange or time drafts, negotiable certificates of deposits, commercial paper of prime quality of the highest ranking or of the highest letter and number rating.

**Pooled Cash**

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

Interest income earned on pooled cash and investments is allocated to the various funds based on the cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**Fair Value Measurement and Application**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Total	Level		
		1	2	3
<b>Investments:</b>				
Local Government Investment Pool	\$ 3,930,844	\$ -	\$ 3,930,844	\$ -
First American Treasury	1,072,263	-	1,072,263	-
Certificates of Deposit	94,000	-	94,000	-
Local Agency Investment Fund	16,395,708	-	16,395,708	-
Total Cash Investments	<u>21,492,815</u>	<u>-</u>	<u>21,492,815</u>	<u>-</u>
<b>Investments with Fiscal Agents:</b>				
Money Market Funds	1,759,040	-	1,759,040	-
Total Investments with Fiscal Agent	<u>1,759,040</u>	<u>-</u>	<u>1,759,040</u>	<u>-</u>
Total Investments	<u>\$ 23,251,855</u>	<u>\$ -</u>	<u>\$ 23,251,855</u>	<u>\$ -</u>

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

**Note 4: Interfund Receivable, Payable and Transfers**

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Child Care Fund (1)	\$ 316,364
	Nonmajor Governmental Funds (2)	14,663
Street Improvement Fund	Nonmajor Governmental Funds (3)	9,000
Waste Water Disposal Fund	General Fund (4)	260,000
Nonmajor Governmental Funds	General Fund (4)	240,000
	Capital Improvement - Streets Fund (5)	12,733
	Nonmajor Governmental Funds (6)	<u>39,252</u>
		<u>\$ 892,012</u>

- (1) The General Fund advanced funds to the Child Care Fund to cover deficit cash balances.
- (2) The General Fund advanced funds to the Active Transportation Program Fund and to the Special Districts Landscape and Lighting District Fund to cover deficit cash balances.
- (3) The Street Improvement Fund advanced funds to the Enhanced Infrastructure Financing District Fund to cover expenditures.
- (4) The Waste Water Disposal Fund and the Facilities Development Fund advanced a total of \$500,000 to the General Fund for the purchase and development of land.
- (5) The Measure I Fund advanced funds to the Capital Improvement - Streets Fund to cover expenditures.
- (6) The Facilities Development Fund advanced funds of \$5,437 to the Traffic Safety Fund to pay for delinquent contract fees due to the Redflex Traffic Systems. The Storm Drain Improvement Fund, Park Development Fund and Facilities Development Fund advanced funds of \$9,000 each to the Enhanced Infrastructure Financing District Fund to cover expenditures. The Measure I Fund advanced funds of \$6,815 to the State Gas Tax Fund to cover expenditures.

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Housing Authority Fund	General Fund	<u>\$ 168,205</u>
		<u>\$ 168,205</u>

In April 1980, the Community Redevelopment Agency (CRA) entered into a pass-through agreement with the City, which was found to be in noncompliance with State statutes. The misallocated tax increment was being treated as advances payable to the former Community Redevelopment Agency from the General Fund. Since the close of the Redevelopment Agency, the advance receivable was transferred to the Successor Agency and is shown as a due from other government in the Private Purpose Trust Fund in the amount of \$925,272. Interest on the advance accrues at an interest rate equal to the Local Agency Investment Fund yield. The advance is to be repaid as funds are available.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

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**Note 4: Interfund Receivable, Payable and Transfers (Continued)**

Interfund Transfers:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund (1)	\$ 101,958
Nonmajor Governmental Funds	Nonmajor Governmental Funds (2), (3)	84,840
Capital Improvement - Streets Fund	Nonmajor Governmental Funds (4)	<u>587,267</u>
	Total Interfund Transfers	<u>\$ 774,065</u>

- (1) Transfers in the amount of \$91,958 were made from the General Fund to the State Gas Tax Fund for franchise sweep fees and pavement impact fees. Transfers in the amount of \$10,000 were made to the Senior Bus Program Fund for additional funding.
- (2) Transfers totaling \$79,840 were made from the Park Development Fund to the Capital Project - Parks Fund to cover the Parks Assessment and Design Project.
- (3) Transfers totaling \$5,000 were made from the Air Quality Improvement Fund to the Senior Bus Program Fund for additional funding.
- (4) Transfers totaling \$587,267 were made from the Measure I Fund to the Capital Improvement - Streets Fund to cover the Slurry Seal Project.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

**Note 5: Capital Assets**

Capital assets activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 6,250,567	\$ 924,444	\$ 3,912,130	\$ 3,262,881
Construction-in-progress	474,776	72,283	-	547,059
Total Capital Assets, Not Being Depreciated	<u>6,725,343</u>	<u>996,727</u>	<u>3,912,130</u>	<u>3,809,940</u>
Capital assets, being depreciated:				
Buildings	6,268,981	-	-	6,268,981
Machinery and Equipment	905,212	53,460	92,234	866,438
Vehicles	588,929	7,467	91,642	504,754
Improvements other than buildings	5,618,815	15,283	-	5,634,098
Infrastructure	4,311,926	29,370	-	4,341,296
Total Capital Assets, Being Depreciated	<u>17,693,863</u>	<u>105,580</u>	<u>183,876</u>	<u>17,615,567</u>
Less accumulated depreciation:				
Buildings	3,211,055	155,602	-	3,366,657
Machinery and Equipment	677,131	62,797	92,234	647,694
Vehicles	506,687	20,569	91,642	435,614
Improvements other than buildings	2,870,252	230,420	-	3,100,672
Infrastructure	1,752,415	229,362	-	1,981,777
Total Accumulated Depreciation	<u>9,017,540</u>	<u>698,750</u>	<u>183,876</u>	<u>9,532,414</u>
Total Capital Assets, Being Depreciated, Net	<u>8,676,323</u>	<u>(593,170)</u>	<u>-</u>	<u>8,083,153</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,401,666</u>	<u>\$ 403,557</u>	<u>\$ 3,912,130</u>	<u>\$ 11,893,093</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 119,557
Public Safety	12,554
Public Works	255,849
Culture and recreation	<u>310,790</u>
Total Depreciation expense - Governmental Activities	<u>\$ 698,750</u>

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

**Note 5: Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Business-type Activities:</u></b>				
Capital assets, being depreciated:				
Sewer mains	\$ 4,023,128	\$ -	\$ -	\$ 4,023,128
Laterals	1,890,944	-	-	1,890,944
Manholes	1,298,760	-	-	1,298,760
Improvements	202,274	-	-	202,274
Total Capital Assets, Being Depreciated	<u>7,415,106</u>	<u>-</u>	<u>-</u>	<u>7,415,106</u>
Less accumulated depreciation:				
Sewer mains	1,426,852	44,701	-	1,471,553
Laterals	583,113	21,010	-	604,123
Manholes	431,241	14,431	-	445,672
Improvements	88,492	8,428	-	96,920
Total Accumulated Depreciation	<u>2,529,698</u>	<u>88,570</u>	<u>-</u>	<u>2,618,268</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,885,408</u>	<u>\$ (88,570)</u>	<u>\$ -</u>	<u>\$ 4,796,838</u>

**Note 6: Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases					
Zions National Bank	\$ 1,021,452	\$ -	\$ 1,021,452	\$ -	\$ -
CJPIA Retrospective Liability	175,830	-	49,045	126,785	-
OPEB Obligation	1,506,894	128,001	15,210	1,619,685	-
Net Pension Liability	3,870,057	783,327	116,664	4,536,720	-
Compensated Absences	108,381	96,439	76,893	127,927	90,760
Total Long-Term Liabilities	<u>\$ 6,682,614</u>	<u>\$ 1,007,767</u>	<u>\$ 1,279,264</u>	<u>\$ 6,411,117</u>	<u>\$ 90,760</u>

**Lease Payable**

On August 28, 2009, the City entered into a Lease Agreement (Lease) with Zions First National Bank in order to refinance the City of Grand Terrace Refunding Certificates of Participation, Issue of 1997, which was issued to finance city hall and other public improvements. The City used the proceeds of the Lease of \$2,162,000 and funds on hand of \$358,000 to current refund the \$2,520,000 of outstanding 1997 Certificates of Participation. Under the Lease, the City is to lease property to Zions and in return Zions will lease the property back to the City in consideration of the payment by the City of semiannual lease payments commencing March 1, 2010 through September 1, 2020 at 4.76% interest. On July 19, 2016, the lease was paid in full.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 6: Long-Term Liabilities (Continued)**

California Joint Powers Insurance Authority General Liability and Workers' Comp Retrospective Deposit Payables

Retrospective deposit payables are cost allocation adjustments to prior coverage periods. Some claims take many years to resolve and over time their estimated value changes. The retrospective adjustments are calculated annually and take into consideration all the changes in claim values that occurred during the most recent year. The formula is designed to adequately cover the cost of claims brought against members and to ensure the overall financial strength and security of the Authority. The formula was developed to be as equitable as possible by taking into consideration both risk exposure and claims experience of individual members.

The balance due for the general liability and the workers' compensation retrospective deposit payable was \$36,502 and \$90,283 respectively.

Retrospective balances will change with each annual computation during the payment deferral period. Member balances may increase or decrease as a result of the most recent year's claim development. More information on the CJPIA retrospective balances can be found on the CJPIA website at CJPIA.org.

Net OPEB Liability

The City's policies relating to OPEB are described in Note 8 of the Notes to Financial Statements. The liability will be paid in future years by the General Fund as it becomes due.

Net Pension Liability

See Note 7 detailing the net pension liability. The total liability at June 30, 2017 was \$4,536,720.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements. The liability will be paid in future years as it becomes due by the General Fund.

**Note 7: Pension Plan**

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Note 7: Pension Plan (Continued)**

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 each plan are applied as specified by the Public Employees' Retirement Law.

Below is the summary of the plans' provisions and benefits in effect at June 30, 2017, for which the City of Grand Terrace has contracted:

	<b>Miscellaneous Cost-Sharing Plans</b>		
	Tier 1 *	Tier 2	PEPRA
Hire date	Prior to December 13, 2012	December 13, 2012 but prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.7% @ 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	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	2% - 2.7%, 50 yrs - 63+ yrs, respectively	1.092% - 2.418%, 50 yrs - 63+ yrs, respectively	1.000% - 2.500%, 52 yrs - 67+ yrs, respectively
Required employee contribution rates	7.949%	6.886%	6.250%
Required employer contribution rates	11.634%	7.159%	6.555%

\*Closed to new entrants

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms of the Plan:

Description	Number of Members			Total
	Misc - Tier 1	Misc - Tier 2	PEPRA	
Active members	28	1	8	37
Transferred members	16	0	0	16
Terminated members	56	0	3	59
Retired members and beneficiaries	33	0	0	33
Total	<u>133</u>	<u>1</u>	<u>11</u>	<u>145</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

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**Note 7: Pension Plan (Continued)**

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that 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 the 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.

For the year ended June 30, 2017, the employer contributions recognized as a reduction to the net pension liability was \$116,663.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of \$4,536,720.

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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 plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

Proportions as a percentage of the CalPERS risk pool:

Proportion - June 30, 2015	0.15657%
Proportion - June 30, 2016	0.13060%
Change - Increase (Decrease)	-0.02597%

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

Note 7: Pension Plan (Continued)

For the year ended June 30, 2017, the City recognized a total pension expense of \$1,164,240. At June 30, 2017, the City reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contribution subsequent to the measurement date	\$ 424,915	\$ -
Difference between Expected and Actual Experience	13,442	(3,080)
Change in Assumptions	-	(127,173)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	661,891	-
Adjustment due to Difference in Proportions	41,583	(929,287)
Differences in proportionate share	1,454	(267,971)
<b>Total</b>	<b>\$ 1,143,285</b>	<b>\$ (1,327,511)</b>

\$424,915 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2017	\$ (127,173)
2018	10,362
2019	661,891
2020	(887,704)
2021	(266,517)
	<u>\$ (609,141)</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 7: Pension Plan (Continued)**

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age Normal Cost Method
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality Rate Table (3)	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) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) 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 on the CalPERS website.

All other actuarial assumptions used in the June 30, 2014, 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 CalPERS' website under Forms and Publications.

Change of Assumptions

There were no changes of assumptions for the June 30, 2016 measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS determined this difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. More information can be found on the CalPERS' website.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 7: Pension Plan (Continued)**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Nos. 67 and 68 calculations through at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	20.0	0.99	2.43
Inflation Assets	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

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

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

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 7: Pension Plan (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each 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% point lower or 1% point higher than the current rate:

<b>Plans' Net Pension Liability/(Asset)</b>	<b>Discount Rate - 1% 6.65%</b>	<b>Current Discount 7.65%</b>	<b>Discount Rate +1% 8.65%</b>
Miscellaneous	\$ 6,432,991	\$ 4,536,720	\$ 2,969,547

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS' website for additional information.

**Note 8: Other Post-Employment Benefits**

Plan Description

The City provides a medical plan coverage for retirees. This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS), which is age 50 or older with at least five years of State or public agency service. The healthcare coverage provided by PERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

Medical plan benefits are provided through PERS, as permitted by the Public Employees' Medical and Hospital and Care Act (PEMHCA). As a PEMHCA employer, the City has elected the unequal contribution method, where the contribution will be increased annually over twenty years until it reaches the same employer contribution as active employee medical plan coverage.

Funding Policy

The contribution requirements of the City are established and may be amended by the City Council. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2016- 2017, the City contributed \$15,210 to the plan.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Note 8: Other Post-Employment Benefits (Continued)**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 172,000
Interest in net OPEB obligation	60,276
Adjustment to ARC	<u>(104,275)</u>
Annual OPEB cost (expense)	128,001
Contributions made	<u>(15,210)</u>
Decrease/(Increase) in net OPEB obligation	112,791
Net OPEB obligation - beginning of year	<u>1,506,894</u>
Net OPEB obligation - end of year	<u>\$ 1,619,685</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Three Year Trend Information - OPEB			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	\$ 279,203	3%	\$ 1,396,947
6/30/2016	120,851	9%	1,506,894
6/30/2017	128,001	12%	1,619,685

**Funded Status and Progress**

The funded status of the plan as of June 30, 2014 (the most recent valuation) was as follows:

**Schedule of Funding Progress for OPEB**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
6/30/2011	\$ -	\$ 2,558,000	\$ 2,558,000	0.0%	\$ 1,911,000	133.9%
6/30/2014	-	1,499,000	1,499,000	0.0%	703,000	213.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 8: Other Post-Employment Benefits (Continued)**

Actuarial Methods and Assumptions

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 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 assets, consistent with the long-term perspective of the calculations.

The actuarial valuation, dated June 30, 2014, used the Entry Age Normal actuarial cost method, a discount rate of 4.00% which is the long-term expected rate of return on the City's investment fund, an annual general inflation rate of 3.00%, and an annual aggregate payroll increase of 3.25%. Annual healthcare cost trend 7.0% to 7.2% beginning in 2017, reduced by decrements of 0.5% per year to an ultimate rate of 5% after 2021. The unfunded accrued actuarial liability (UAAL) is being amortized over a closed 23-year period as a level percentage of payroll. As of the actuarial valuation date, the City had 35 active participants and 20 retirees receiving benefits.

**Note 9: Residential Mortgage Revenue Bonds**

In 1984, the La Verne-Grand Terrace Housing Finance Agency, a joint powers authority duly established by appropriate resolutions of the Redevelopment Agency of the City of La Verne and the Community Redevelopment Agency of the City of Grand Terrace pursuant to Government Code Section 6500, et. seq., issued Residential Mortgage Revenue Bonds totaling \$38,625,000 pursuant to Chapters 1-5 of part 5 of Division 31 of the Health and Safety Code of the State of California. The bonds provide for long-term low interest mortgage loans to qualified home buyers of single family homes in certain residential developments as specified by the indenture. The bonds are payable solely from payments made on and secured by a pledge of the home mortgages and the funds and accounts held for the benefit of the bondholders pursuant to the indenture. The bonds do not represent a lien or charge upon the funds or property of the Agency. Neither the full faith and credit, nor the taxing power, of the Agency is pledged to the payment of the bonds. For these reasons, the bonds are not shown as liabilities in the accompanying financial statements.

The mortgage bond program is administered by a separate administrator apart from the Agency as specified by the indenture. The fiscal agent and trustee duties are also performed by a separate trustee bank apart from the Agency. In June 1992, the joint powers authority sold the home mortgages. The proceeds from the sale of the mortgages plus other assets were irrevocably placed into a trust with an escrow agent to provide for all future debt service on the bonds through the year 2017. At June 30, 2017, approximately \$350,000 of the bonds were outstanding. The bonds are to be paid off in full July 1, 2017.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 10: Risk Management**

The City is a member of the California Joint Powers Insurance Authority (the "Authority"). The following joint venture disclosures are made in compliance with GASB Code Section J50.103:

a. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Grand Terrace is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

b. Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Liability

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2016-17 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

**Note 10: Risk Management (Continued)**

Workers' Compensation

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2016-17 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

c. Purchased Insurance

Property Insurance

The City of Grand Terrace participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Grand Terrace property is currently insured according to a schedule of covered property submitted by the City of Grand Terrace to the Authority. City of Grand Terrace property currently has all-risk property insurance protection in the amount of \$14,922,033. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of Grand Terrace purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Grand Terrace property currently has earthquake protection in the amount of \$0. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

d. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2016-17.

**Note 11: Contingencies**

As of June 30, 2017, in the opinion of the City Administration and its legal counsel, there are no outstanding matters, which would have a material effect on the financial position of the City.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 12: Proposition 218**

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters.

**Note 13: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Grand Terrace that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

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 a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private purpose trust fund) in the financial statements of the City.

**Cash and Investments**

As of June 30, 2017, cash and investments were reported in the accompanying financial statements as follows:

Cash and investments	\$ 19,092,805
Cash and investments with fiscal agent	<u>1,759,040</u>
Total Cash and Investments	<u>\$ 20,851,845</u>

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

**Note 13: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency (Continued)**

Long-Term Debt

Schedule of changes in long-term liabilities as of June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental-Activities:					
Bonds Payable:					
2011 Tax Allocation Bonds, Series A	\$ 14,055,000	\$ -	\$ 310,000	\$ 13,745,000	\$ 320,000
2011 Tax Allocation Bonds, Series B	4,670,000	-	290,000	4,380,000	310,000
Discount on Bonds issued	(127,934)	-	(9,110)	(118,824)	-
<b>Total Bonds Payable</b>	<b>\$ 18,597,066</b>	<b>\$ -</b>	<b>\$ 590,890</b>	<b>\$ 18,006,176</b>	<b>\$ 630,000</b>

2011A Tax Allocation Bonds

In June of 2011, the former CRA issued the \$15,175,000 Community Redevelopment Project Area Tax Allocation Bonds, Issue of 2011A. The Bonds were issued to finance public improvement projects pursuant to the Redevelopment Plan and for other redevelopment activities of the Agency. Interest varies from 2.00% to 6.00% and is payable semiannually on March 1 and September 1, commencing September 1, 2011. Principal payments are due annually commencing September 1, 2012, through September 1, 2033. The Bonds are payable from and secured by a pledge of Tax Increment, less amounts required to make payments under the Pass-Through Agreements, annual debt service of the 2004 Bonds and the Housing Set-Aside amount. The 2011A Tax Allocation Bond was transferred to the Successor Agency on February 1, 2012, as a result of the Redevelopment Agency closure. The balance at June 30, 2017, amounted to \$13,745,000.

Debt service payments to maturity for the 2011A Tax Allocation Bonds are as follows:

Year Ending June 30	Principal	Interest
2018	\$ 320,000	\$ 789,445
2019	330,000	776,680
2020	340,000	762,478
2021	360,000	745,860
2022	380,000	726,990
2023-2027	2,220,000	3,283,800
2028-2032	6,580,000	1,997,700
2033-2034	3,215,000	195,750
Total	<b>\$ 13,745,000</b>	<b>\$ 9,278,703</b>

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 13: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency (Continued)**

2011B Tax Allocation Bonds

In June of 2011, the former CRA issued the \$5,650,000 Community Redevelopment Project Area Taxable Tax Allocation Bonds, Issue of 2011 B. The Bonds were issued for the purpose of acquiring land for resale and development in the Project Area. Interest varies from 7.10% to 7.70% and is payable semiannually on March 1 and September 1, commencing September 1, 2011. Principal payments are due annually commencing September 1, 2012 through September 1, 2026. The Bonds are payable from and secured by a pledge of Tax Increment, less amounts required to make payments under the Pass-Through Agreements, annual debt service of the 2004 Bonds and the Housing Set-Aside Amount. The 2011 B Tax Allocation Bond was transferred to the Successor Agency on February 1, 2012 as a result of the Redevelopment Agency closure. The balance at June 30, 2017, amounted to \$4,380,000.

Debt service payments to maturity for the 2011 B Taxable Tax Allocation Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 310,000	\$ 317,915
2019	335,000	295,018
2020	360,000	270,345
2021	385,000	243,898
2022	410,000	214,445
2023-2027	<u>2,580,000</u>	<u>526,680</u>
Total	<u>\$ 4,380,000</u>	<u>\$ 1,868,301</u>

Pledged Tax Revenues

The City has pledged, as security for bonds issued, certain tax revenues for the repayment of Successor Agency bonds through final maturity on September 1, 2033, or earlier retirement, whichever occurs first.

Tax revenues consist of tax increment revenues allocated to the Successor Agency pursuant to Section 33670 of the Redevelopment Law. Such Law excludes a portion of tax increment revenues required to be paid under Tax-Sharing Agreements unless the payment of such amounts has been subordinated to the payment of debt service on the Bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to local agency and school entity pursuant to any pass-through agreement, then second to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. For the current year, the total property tax revenue recognized by the Successor Agency was \$2,189,708 and the debt service obligation on the bonds was \$1,740,860.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Note 14: Tax Abatements**

The City entered into tax abatement agreements with local businesses. The abatement may be granted to any business located within or promising to relocate to the City. For the fiscal year ended June 30, 2017, the City abated taxes totaling \$80,665 under this program. The City has the following tax abatement agreement:

- An economic development incentive agreement with a building supplies distribution company to operate within the City and generate additional local sales tax revenues, property taxes, employment benefits, and other tangible and intangible benefits. The City agreed to rebate quarterly 50% of local sales tax revenues up to an annual maximum of \$120,000. The payment period began on January 1, 2016 and terminates on September 30, 2017. In fiscal year 2016-17, the abatement amounted to \$80,665.

CITY OF GRAND TERRACE

MISCELLANEOUS COST SHARING PLAN  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 AS OF JUNE 30, 2017 (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>Miscellaneous Plan</u></b>			
Proportion of the Net Pension Liability	0.13065%	0.05189%	0.05189%
Proportionate Share of the Net Pension Liability	\$ 3,229,236	\$ 3,870,057	\$ 4,536,720
Covered-Employee Payroll	\$ 1,452,613	\$ 1,335,625	\$ 1,540,292
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	222.31%	289.76%	294.54%
Plan Fiduciary Net Position	\$ 10,367,574	\$ 9,765,354	\$ 9,548,211
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.25%	71.66%	67.79%

**Notes to Schedule:**

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions:

There were no changes of assumptions for the June 30, 2016 measurement date.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only three years are shown.

CITY OF GRAND TERRACE

**COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, 2017 (1)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>Miscellaneous Plan</u></b>			
Actuarially Determined Contribution	\$ 159,393	\$ 116,663	\$ 424,915
Contribution in Relation to the Actuarially Determined Contribution	<u>(159,393)</u>	<u>(116,663)</u>	<u>(424,915)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,452,613	\$ 1,335,625	\$ 1,540,292
Contributions as a Percentage of Covered-Employee Payroll	10.97%	8.73%	27.59%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only three years are shown.

**Note to Schedule:**

**Miscellaneous Plan and PEPRM Miscellaneous Plan**

Valuation Date:

June 30, 2014

Methods and assumptions used to determine contribution rates:

Single and Agent Employers

Amortization method  
Assets valuation method  
Inflation  
Salary increases

Entry age normal cost method  
Level percentage of payroll  
Market value  
2.75%  
3.30% to 14.20%, depending on age, service and type of employment

Investment rate of return  
Individual salary growth

7.50% net of administrative expenses  
A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1, as restated	\$ 2,197,601	\$ 2,197,601	\$ 2,197,601	\$ -
<b>Resources (Inflows):</b>				
Taxes	3,570,000	3,570,000	3,444,939	(125,061)
Intergovernmental	5,000	11,000	32,020	21,020
Charges for services	942,400	955,687	1,024,284	68,597
Use of money and property	323,000	323,000	393,267	70,267
Fines and forfeitures	58,500	58,500	76,314	17,814
Contributions	-	289,015	289,015	-
Miscellaneous	2,800	56,690	310,774	254,084
Transfers in	25,000	34,000	-	(34,000)
<b>Amounts Available for Appropriations</b>	<b>7,124,301</b>	<b>7,495,493</b>	<b>7,768,214</b>	<b>272,721</b>
<b>Charges to Appropriations (Outflow):</b>				
General government	874,971	893,040	907,146	(14,106)
Public safety	2,072,100	2,062,486	1,949,311	113,175
Cultural and recreation	757,903	789,926	737,241	52,685
Public works	1,159,525	1,201,766	1,156,748	45,018
Capital outlay	143,049	1,085,287	958,000	127,287
Debt service:				
Principal retirement	-	1,021,452	1,021,452	-
Interest and fiscal charges	-	18,638	18,638	-
Transfers out	126,500	135,500	101,958	33,542
<b>Total Charges to Appropriations</b>	<b>5,134,048</b>	<b>7,208,095</b>	<b>6,850,494</b>	<b>357,601</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,990,253</b>	<b>\$ 287,398</b>	<b>\$ 917,720</b>	<b>\$ (84,880)</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 STREET IMPROVEMENT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,332,840	\$ 1,332,840	\$ 1,332,840	\$ -
<b>Resources (Inflows):</b>				
Charges for services	-	-	153,314	153,314
Use of money and property	1,000	1,000	8,603	7,603
<b>Amounts Available for Appropriations</b>	<b>1,333,840</b>	<b>1,333,840</b>	<b>1,494,757</b>	<b>160,917</b>
<b>Charges to Appropriations (Outflow):</b>				
Transfers out	-	50,000	-	50,000
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>50,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,333,840</b>	<b>\$ 1,283,840</b>	<b>\$ 1,494,757</b>	<b>\$ 210,917</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 HOUSING AUTHORITY  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 1,936,701	\$ 1,936,701	\$ 1,936,701	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	175	175
<b>Amounts Available for Appropriations</b>	<b>1,936,701</b>	<b>1,936,701</b>	<b>1,936,876</b>	<b>175</b>
<b>Charges to Appropriations (Outflow):</b>				
Economic development	9,700	9,700	8,304	1,396
<b>Total Charges to Appropriations</b>	<b>9,700</b>	<b>9,700</b>	<b>8,304</b>	<b>1,396</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,927,001</b>	<b>\$ 1,927,001</b>	<b>\$ 1,928,572</b>	<b>\$ 1,571</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 CHILD CARE CENTER  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (172,294)	\$ (172,294)	\$ (172,294)	\$ -
<b>Resources (Inflows):</b>				
Charges for services	1,057,830	1,059,772	916,556	(143,216)
Use of money and property	-	-	(979)	(979)
<b>Amounts Available for Appropriations</b>	<b>885,536</b>	<b>887,478</b>	<b>743,283</b>	<b>(144,195)</b>
<b>Charges to Appropriations (Outflow):</b>				
Cultural and recreation	1,057,830	1,059,772	1,051,253	8,519
<b>Total Charges to Appropriations</b>	<b>1,057,830</b>	<b>1,059,772</b>	<b>1,051,253</b>	<b>8,519</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (172,294)</b>	<b>\$ (172,294)</b>	<b>\$ (307,970)</b>	<b>\$ (135,676)</b>

I. STEWARDSHIP

**Note 1: Stewardship, Compliance and Accountability**

**a. Budgetary Data**

The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" (as defined by GASB Code Section 2400.109) covers City expenditures in all governmental funds, except for the Public Financing Authority Debt Service Fund. This entity does not adopt an annual budget as effective budgetary control is achieved through bond indenture and other instrument provisions. Actual expenditures may not exceed budgeted appropriations at the fund level.

Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances and unencumbered appropriations lapse at year-end.

Annual budgets for the General, and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Capital projects are budgeted through the Capital Project Funds. Appropriations for capital projects authorized, but not constructed or completed during the year, lapse at year-end, and are then included as a part of appropriations in the following year's annual budget.

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Storm Drain Improvement</u>	<u>Park Development</u>	<u>AB 3229 COPS Fund</u>	<u>Air Quality Improvement</u>
<b>Assets:</b>				
Cash and investments	\$ 171,572	\$ 422,760	\$ 20,802	\$ 72,765
Receivables:				
Accounts Receivable	-	-	-	-
Due from other governments	-	-	-	3,998
Due from other funds	9,000	9,000	-	-
<b>Total Assets</b>	<b><u>\$ 180,572</u></b>	<b><u>\$ 431,760</u></b>	<b><u>\$ 20,802</u></b>	<b><u>\$ 76,763</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,238
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,238</u></b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	-	431,760	-	-
Public safety	-	-	20,802	-
Public works	180,572	-	-	74,525
<b>Unassigned</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Fund Balances</b>	<b><u>180,572</u></b>	<b><u>431,760</u></b>	<b><u>20,802</u></b>	<b><u>74,525</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 180,572</u></b>	<b><u>\$ 431,760</u></b>	<b><u>\$ 20,802</u></b>	<b><u>\$ 76,763</u></b>

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

(CONTINUED)

	<u>Special Revenue Funds</u>			
	<u>State Gas Tax</u>	<u>Traffic Safety</u>	<u>Facilities Development</u>	<u>Measure I</u>
<b>Assets:</b>				
Cash and investments	\$ 142,838	\$ 21,724	\$ 48,761	\$ 248,884
Receivables:				
Accounts Receivable	-	-	-	-
Due from other governments	-	1,708	-	51,907
Due from other funds	-	-	254,437	19,548
<b>Total Assets</b>	<b><u>\$ 142,838</u></b>	<b><u>\$ 23,432</u></b>	<b><u>\$ 303,198</u></b>	<b><u>\$ 320,339</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 25,074	\$ -	\$ -	\$ -
Due to other funds	6,815	5,437	-	-
<b>Total Liabilities</b>	<b><u>31,889</u></b>	<b><u>5,437</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	303,198	-
Public safety	-	-	-	-
Public works	110,949	17,995	-	320,339
<b>Unassigned</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Fund Balances</b>	<b><u>110,949</u></b>	<b><u>17,995</u></b>	<b><u>303,198</u></b>	<b><u>320,339</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 142,838</u></b>	<b><u>\$ 23,432</u></b>	<b><u>\$ 303,198</u></b>	<b><u>\$ 320,339</u></b>

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Special Revenue Funds			
	CDBG	Special Districts Landscape & Lighting	Spring Mountain Ranch	Cal Recycle Grant
<b>Assets:</b>				
Cash and investments	\$ 3,223	\$ -	\$ 414,280	\$ 34
Receivables:				
Accounts Receivable	-	-	-	-
Due from other governments	10,356	-	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 13,579</b>	<b>\$ -</b>	<b>\$ 414,280</b>	<b>\$ 34</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 6,949	\$ 149	\$ -	\$ -
Due to other funds	-	1,041	-	-
<b>Total Liabilities</b>	<b>6,949</b>	<b>1,190</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	5,198	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>5,198</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	1,432	-	414,280	34
Public safety	-	-	-	-
Public works	-	-	-	-
<b>Unassigned</b>	-	(1,190)	-	-
<b>Total Fund Balances</b>	<b>1,432</b>	<b>(1,190)</b>	<b>414,280</b>	<b>34</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 13,579</b>	<b>\$ -</b>	<b>\$ 414,280</b>	<b>\$ 34</b>

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

(CONTINUED)

	Special Revenue Funds			
	Senior Bus Program Fund	Public, Educational & Government Access	Active Transportation Program	Emergency Management Preparation Grant
<b>Assets:</b>				
Cash and investments	\$ 10,779	\$ 19,326	\$ -	\$ -
Receivables:				
Accounts Receivable	9,559	5,235	-	-
Due from other governments	-	-	52,546	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 20,338</b>	<b>\$ 24,561</b>	<b>\$ 52,546</b>	<b>\$ -</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 300	\$ -	\$ 38,924	\$ -
Due to other funds	-	-	13,622	-
<b>Total Liabilities</b>	<b>300</b>	<b>-</b>	<b>52,546</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	52,546	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>52,546</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	20,038	24,561	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
<b>Unassigned</b>	-	-	(52,546)	-
<b>Total Fund Balances</b>	<b>20,038</b>	<b>24,561</b>	<b>(52,546)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 20,338</b>	<b>\$ 24,561</b>	<b>\$ 52,546</b>	<b>\$ -</b>

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Special Revenue Fund	Capital Projects Funds		
	Enhanced Infrastructure Financing District	Barton / Colton Bridge	Capital Projects	Capital Project - Parks
<b>Assets:</b>				
Cash and investments	\$ 29,262	\$ 2,352	\$ 3,042	\$ 29,982
Receivables:				
Accounts Receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 29,262</b>	<b>\$ 2,352</b>	<b>\$ 3,042</b>	<b>\$ 29,982</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 10,020	\$ -	\$ -	\$ 20,806
Due to other funds	36,000	-	-	-
<b>Total Liabilities</b>	<b>46,020</b>	<b>-</b>	<b>-</b>	<b>20,806</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	3,567	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>3,567</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	2,352	-	9,176
<b>Unassigned</b>	<b>(16,758)</b>	<b>-</b>	<b>(525)</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>(16,758)</b>	<b>2,352</b>	<b>(525)</b>	<b>9,176</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 29,262</b>	<b>\$ 2,352</b>	<b>\$ 3,042</b>	<b>\$ 29,982</b>

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

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	<b>Total Governmental Funds</b>
<b>Assets:</b>	
Cash and investments	\$ 1,662,386
Receivables:	
Accounts Receivable	14,794
Due from other governments	120,515
Due from other funds	291,985
	<hr/>
<b>Total Assets</b>	<b>\$ 2,089,680</b>
	<hr/>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 104,460
Due to other funds	62,915
	<hr/>
<b>Total Liabilities</b>	<b>167,375</b>
	<hr/>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenues	61,311
	<hr/>
<b>Total Deferred Inflows of Resources</b>	<b>61,311</b>
	<hr/>
<b>Fund Balances:</b>	
<b>Restricted for:</b>	
Community development projects	1,195,303
Public safety	20,802
Public works	715,908
<b>Unassigned</b>	(71,019)
	<hr/>
<b>Total Fund Balances</b>	<b>1,860,994</b>
	<hr/>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,089,680</b>
	<hr/>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Storm Drain Improvement</u>	<u>Park Development</u>	<u>AB 3229 COPS Fund</u>	<u>Air Quality Improvement</u>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	129,365	15,726
Charges for services	77,249	239,463	-	-
Use of money and property	890	2,088	274	394
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b><u>78,139</u></b>	<b><u>241,551</u></b>	<b><u>129,639</u></b>	<b><u>16,120</u></b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	129,213	-
Cultural and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>129,213</u></b>	<b><u>-</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>78,139</u>	<u>241,551</u>	<u>426</u>	<u>16,120</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	(79,840)	-	(5,000)
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>(79,840)</u></b>	<b><u>-</u></b>	<b><u>(5,000)</u></b>
Net Change in Fund Balances	<u>78,139</u>	<u>161,711</u>	<u>426</u>	<u>11,120</u>
Fund Balances, Beginning of Year	102,433	270,049	20,376	63,405
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	<u>102,433</u>	<u>270,049</u>	<u>20,376</u>	<u>63,405</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 180,572</u></b>	<b><u>\$ 431,760</u></b>	<b><u>\$ 20,802</u></b>	<b><u>\$ 74,525</u></b>

## CITY OF GRAND TERRACE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

(CONTINUED)

	<b>Special Revenue Funds</b>			
	<b>State Gas Tax</b>	<b>Traffic Safety</b>	<b>Facilities Development</b>	<b>Measure I</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	239,768	-	-	208,464
Charges for services	2,125	-	53,712	-
Use of money and property	1,139	277	368	3,895
Fines and forfeitures	-	8,453	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>243,032</b>	<b>8,730</b>	<b>54,080</b>	<b>212,359</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	82	-	-
Cultural and recreation	-	-	-	-
Public works	513,800	-	-	35,902
Capital outlay	-	30,188	-	29,370
<b>Total Expenditures</b>	<b>513,800</b>	<b>30,270</b>	<b>-</b>	<b>65,272</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(270,768)	(21,540)	54,080	147,087
<b>Other Financing Sources (Uses):</b>				
Transfers in	91,958	-	-	-
Transfers out	-	-	-	(587,267)
<b>Total Other Financing Sources (Uses)</b>	<b>91,958</b>	<b>-</b>	<b>-</b>	<b>(587,267)</b>
Net Change in Fund Balances	(178,810)	(21,540)	54,080	(440,180)
Fund Balances, Beginning of Year	289,759	39,535	249,118	760,519
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	289,759	39,535	249,118	760,519
<b>Fund Balances, End of Year</b>	<b>\$ 110,949</b>	<b>\$ 17,995</b>	<b>\$ 303,198</b>	<b>\$ 320,339</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			
	CDBG	Special Districts Landscape & Lighting	Spring Mountain Ranch	Cal Recycle Grant
<b>Revenues:</b>				
Taxes	\$ -	\$ 12,321	\$ -	\$ -
Licenses and permits	-	-	217,800	-
Intergovernmental	45,530	30	-	5,000
Charges for services	-	-	-	-
Use of money and property	-	(11)	1,353	26
Fines and forfeitures	-	155	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>45,530</b>	<b>12,495</b>	<b>219,153</b>	<b>5,026</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Cultural and recreation	-	-	-	-
Public works	52,050	16,253	-	-
Capital outlay	-	-	-	5,000
<b>Total Expenditures</b>	<b>52,050</b>	<b>16,253</b>	<b>-</b>	<b>5,000</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,520)	(3,758)	219,153	26
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(6,520)	(3,758)	219,153	26
Fund Balances, Beginning of Year	7,952	2,568	195,127	5,008
Restatements	-	-	-	(5,000)
Fund Balances, Beginning of Year, as Restated	7,952	2,568	195,127	8
<b>Fund Balances, End of Year</b>	<b>\$ 1,432</b>	<b>\$ (1,190)</b>	<b>\$ 414,280</b>	<b>\$ 34</b>

## CITY OF GRAND TERRACE

**COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2017**

(CONTINUED)

	<b>Special Revenue Funds</b>			
	<b>Senior Bus Program Fund</b>	<b>Public, Educational &amp; Government Access</b>	<b>Active Transportation Program</b>	<b>Emergency Management Preparation Grant</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	47,547	-	-	11,600
Charges for services	414	-	-	-
Use of money and property	16	61	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	20,557	-	-
<b>Total Revenues</b>	<b>47,977</b>	<b>20,618</b>	<b>-</b>	<b>11,600</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Cultural and recreation	45,087	-	52,546	11,600
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>45,087</b>	<b>-</b>	<b>52,546</b>	<b>11,600</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,890	20,618	(52,546)	-
<b>Other Financing Sources (Uses):</b>				
Transfers in	15,000	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	17,890	20,618	(52,546)	-
Fund Balances, Beginning of Year	2,148	3,943	-	-
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	2,148	3,943	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 20,038</b>	<b>\$ 24,561</b>	<b>\$ (52,546)</b>	<b>\$ -</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	Special	Capital Projects Funds		
	Revenue Fund			
	Enhanced Infrastructure Financing District	Barton / Colton Bridge	Capital Projects	Capital Project - Parks
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	341,278	-
Charges for services	-	-	-	-
Use of money and property	92	15	-	292
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	544	60
<b>Total Revenues</b>	<b>92</b>	<b>15</b>	<b>341,822</b>	<b>352</b>
<b>Expenditures:</b>				
Current:				
General government	16,850	-	-	-
Public safety	-	-	-	-
Cultural and recreation	-	-	-	-
Public works	-	-	544	-
Capital outlay	-	-	3,000	71,016
<b>Total Expenditures</b>	<b>16,850</b>	<b>-</b>	<b>3,544</b>	<b>71,016</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,758)	15	338,278	(70,664)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	79,840
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,840</b>
Net Change in Fund Balances	(16,758)	15	338,278	9,176
Fund Balances, Beginning of Year	-	2,337	(338,803)	-
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	-	2,337	(338,803)	-
<b>Fund Balances, End of Year</b>	<b>\$ (16,758)</b>	<b>\$ 2,352</b>	<b>\$ (525)</b>	<b>\$ 9,176</b>

CITY OF GRAND TERRACE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

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	<b>Total Governmental Funds</b>
<b>Revenues:</b>	
Taxes	\$ 12,321
Licenses and permits	217,800
Intergovernmental	1,044,308
Charges for services	372,963
Use of money and property	11,169
Fines and forfeitures	8,608
Miscellaneous	21,161
	<hr/>
<b>Total Revenues</b>	<b>1,688,330</b>
	<hr/>
<b>Expenditures:</b>	
Current:	
General government	16,850
Public safety	129,295
Cultural and recreation	109,233
Public works	618,549
Capital outlay	138,574
	<hr/>
<b>Total Expenditures</b>	<b>1,012,501</b>
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	675,829
	<hr/>
<b>Other Financing Sources (Uses):</b>	
Transfers in	186,798
Transfers out	(672,107)
	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>(485,309)</b>
	<hr/>
Net Change in Fund Balances	190,520
	<hr/>
Fund Balances, Beginning of Year	1,675,474
Restatements	(5,000)
	<hr/>
Fund Balances, Beginning of Year, as Restated	1,670,474
	<hr/>
<b>Fund Balances, End of Year</b>	<b>\$ 1,860,994</b>
	<hr/> <hr/>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 STORM DRAIN IMPROVEMENT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 102,433	\$ 102,433	\$ 102,433	\$ -
<b>Resources (Inflows):</b>				
Charges for services	500	500	77,249	76,749
Use of money and property	100	100	890	790
<b>Amounts Available for Appropriations</b>	<b>103,033</b>	<b>103,033</b>	<b>180,572</b>	<b>77,539</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 103,033</b>	<b>\$ 103,033</b>	<b>\$ 180,572</b>	<b>\$ 77,539</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 PARK DEVELOPMENT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 270,049	\$ 270,049	\$ 270,049	\$ -
<b>Resources (Inflows):</b>				
Charges for services	-	-	239,463	239,463
Use of money and property	500	500	2,088	1,588
<b>Amounts Available for Appropriations</b>	<b>270,549</b>	<b>270,549</b>	<b>511,600</b>	<b>241,051</b>
<b>Charges to Appropriations (Outflow):</b>				
Capital outlay	101,000	-	-	-
Transfers out	-	205,840	79,840	126,000
<b>Total Charges to Appropriations</b>	<b>101,000</b>	<b>205,840</b>	<b>79,840</b>	<b>126,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 169,549</b>	<b>\$ 64,709</b>	<b>\$ 431,760</b>	<b>\$ 367,051</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
 AB 3229 COPS FUND  
 YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 20,376	\$ 20,376	\$ 20,376	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	129,300	129,365	65
Use of money and property	-	-	274	274
<b>Amounts Available for Appropriations</b>	<b>120,376</b>	<b>149,676</b>	<b>150,015</b>	<b>339</b>
<b>Charges to Appropriations (Outflow):</b>				
Public safety	100,000	129,300	129,213	87
<b>Total Charges to Appropriations</b>	<b>100,000</b>	<b>129,300</b>	<b>129,213</b>	<b>87</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 20,376</b>	<b>\$ 20,376</b>	<b>\$ 20,802</b>	<b>\$ 426</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY IMPROVEMENT  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 63,405	\$ 63,405	\$ 63,405	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	13,000	13,000	15,726	2,726
Use of money and property	100	100	394	294
<b>Amounts Available for Appropriations</b>	<b>76,505</b>	<b>76,505</b>	<b>79,525</b>	<b>3,020</b>
<b>Charges to Appropriations (Outflow):</b>				
Transfers out	5,000	5,000	5,000	-
<b>Total Charges to Appropriations</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 71,505</b>	<b>\$ 71,505</b>	<b>\$ 74,525</b>	<b>\$ 3,020</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 STATE GAS TAX  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 289,759	\$ 289,759	\$ 289,759	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	279,000	279,000	239,768	(39,232)
Charges for services	-	2,125	2,125	-
Use of money and property	500	500	1,139	639
Transfers in	91,500	91,500	91,958	458
<b>Amounts Available for Appropriations</b>	<b>660,759</b>	<b>662,884</b>	<b>624,749</b>	<b>(38,135)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	478,673	520,799	513,800	6,999
Transfers out	-	150,000	-	150,000
<b>Total Charges to Appropriations</b>	<b>478,673</b>	<b>670,799</b>	<b>513,800</b>	<b>156,999</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 182,086</b>	<b>\$ (7,915)</b>	<b>\$ 110,949</b>	<b>\$ 118,864</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
TRAFFIC SAFETY  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 39,535	\$ 39,535	\$ 39,535	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	277	277
Fines and forfeitures	15,000	15,000	8,453	(6,547)
<b>Amounts Available for Appropriations</b>	<b>54,535</b>	<b>54,535</b>	<b>48,265</b>	<b>(6,270)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public safety	-	-	82	(82)
Capital outlay	30,000	30,000	30,188	(188)
<b>Total Charges to Appropriations</b>	<b>30,000</b>	<b>30,000</b>	<b>30,270</b>	<b>(270)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 24,535</b>	<b>\$ 24,535</b>	<b>\$ 17,995</b>	<b>\$ (6,540)</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 FACILITIES DEVELOPMENT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 249,118	\$ 249,118	\$ 249,118	\$ -
<b>Resources (Inflows):</b>				
Charges for services	-	-	53,712	53,712
Use of money and property	400	400	368	(32)
<b>Amounts Available for Appropriations</b>	<b>249,518</b>	<b>249,518</b>	<b>303,198</b>	<b>53,680</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 249,518</b>	<b>\$ 249,518</b>	<b>\$ 303,198</b>	<b>\$ 53,680</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE

MEASURE I

YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 760,519	\$ 760,519	\$ 760,519	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	180,000	180,000	208,464	28,464
Use of money and property	200	200	3,895	3,695
<b>Amounts Available for Appropriations</b>	<b>940,719</b>	<b>940,719</b>	<b>972,878</b>	<b>32,159</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	30,000	68,560	35,902	32,658
Capital outlay	52,435	49,875	29,370	20,505
Transfers out	-	600,000	587,267	12,733
<b>Total Charges to Appropriations</b>	<b>82,435</b>	<b>718,435</b>	<b>652,539</b>	<b>65,896</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 858,284</b>	<b>\$ 222,284</b>	<b>\$ 320,339</b>	<b>\$ 98,055</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE

CDBG

YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,952	\$ 7,952	\$ 7,952	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	48,456	59,296	45,530	(13,766)
<b>Amounts Available for Appropriations</b>	<b>56,408</b>	<b>67,248</b>	<b>53,482</b>	<b>(13,766)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	48,456	59,296	52,050	7,246
<b>Total Charges to Appropriations</b>	<b>48,456</b>	<b>59,296</b>	<b>52,050</b>	<b>7,246</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 7,952</b>	<b>\$ 7,952</b>	<b>\$ 1,432</b>	<b>\$ (6,520)</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL DISTRICTS LANDSCAPE & LIGHTING  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 2,568	\$ 2,568	\$ 2,568	\$ -
<b>Resources (Inflows):</b>				
Taxes	9,434	9,434	12,321	2,887
Intergovernmental	9,000	9,000	30	(8,970)
Use of money and property	-	-	(11)	(11)
Fines and forfeitures	-	-	155	155
<b>Amounts Available for Appropriations</b>	<b>21,002</b>	<b>21,002</b>	<b>15,063</b>	<b>(5,939)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	18,434	18,434	16,253	2,181
<b>Total Charges to Appropriations</b>	<b>18,434</b>	<b>18,434</b>	<b>16,253</b>	<b>2,181</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,568</b>	<b>\$ 2,568</b>	<b>\$ (1,190)</b>	<b>\$ (3,758)</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 SPRING MOUNTAIN RANCH  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 195,127	\$ 195,127	\$ 195,127	\$ -
<b>Resources (Inflows):</b>				
Licenses and permits	-	-	217,800	217,800
Use of money and property	400	400	1,353	953
<b>Amounts Available for Appropriation</b>	<b>195,527</b>	<b>195,527</b>	<b>414,280</b>	<b>218,753</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 195,527</b>	<b>\$ 195,527</b>	<b>\$ 414,280</b>	<b>\$ 218,753</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 CAL RECYCLE GRANT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 8	\$ 8	\$ 8	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	5,000	5,000	5,000	-
Use of money and property	-	-	26	26
<b>Amounts Available for Appropriation</b>	<b>5,008</b>	<b>5,008</b>	<b>5,034</b>	<b>26</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	5,000	5,000	5,000	-
<b>Total Charges to Appropriations</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 8</b>	<b>\$ 8</b>	<b>\$ 34</b>	<b>\$ 26</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
SENIOR BUS PROGRAM FUND  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 2,148	\$ 2,148	\$ 2,148	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	42,778	42,778	47,547	4,769
Charges for services	2,400	2,400	414	(1,986)
Use of money and property	-	-	16	16
Transfers in	15,000	15,000	15,000	-
<b>Amounts Available for Appropriations</b>	<b>62,326</b>	<b>62,326</b>	<b>65,125</b>	<b>2,799</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	60,178	60,178	45,087	15,091
<b>Total Charges to Appropriations</b>	<b>60,178</b>	<b>60,178</b>	<b>45,087</b>	<b>15,091</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,148</b>	<b>\$ 2,148</b>	<b>\$ 20,038</b>	<b>\$ 17,890</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 ACTIVE TRANSPORTATION PROGRAM  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	280,000	295,000	-	(295,000)
<b>Amounts Available for Appropriation</b>	<b>280,000</b>	<b>295,000</b>	<b>-</b>	<b>(295,000)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	280,000	295,000	52,546	242,454
<b>Total Charges to Appropriations</b>	<b>280,000</b>	<b>295,000</b>	<b>52,546</b>	<b>242,454</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (52,546)</b>	<b>\$ (52,546)</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 EMERGENCY MANAGEMENT PREPARATION GRANT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	23,264	11,600	(11,664)
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>23,264</b>	<b>11,600</b>	<b>(11,664)</b>
<b>Charges to Appropriation (Outflow):</b>				
Parks and recreation	-	23,264	11,600	11,664
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>23,264</b>	<b>11,600</b>	<b>11,664</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 ENHANCED INFRASTRUCTURE FINANCING DISTRICT  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	92	92
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>92</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	36,000	16,850	19,150
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>36,000</b>	<b>16,850</b>	<b>19,150</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (36,000)</b>	<b>\$ (16,758)</b>	<b>\$ 19,242</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT- STREETS - CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2017**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 18,438	\$ 18,438	\$ 18,438	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	1,560	1,560
Transfers in	-	800,000	587,267	(212,733)
<b>Amounts Available for Appropriations</b>	<b>18,438</b>	<b>818,438</b>	<b>607,265</b>	<b>(211,173)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	-	750,000	618,157	131,843
Capital outlay	-	50,000	2,396	47,604
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>800,000</b>	<b>620,553</b>	<b>179,447</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 18,438</b>	<b>\$ 18,438</b>	<b>\$ (13,288)</b>	<b>\$ (31,726)</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (338,803)	\$ (338,803)	\$ (338,803)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	3,000	341,278	338,278
Miscellaneous	-	700	544	(156)
<b>Amounts Available for Appropriations</b>	<b>(338,803)</b>	<b>(335,103)</b>	<b>3,019</b>	<b>338,122</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	-	700	544	156
Capital outlay	-	3,000	3,000	-
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>3,700</b>	<b>3,544</b>	<b>156</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (338,803)</b>	<b>\$ (338,803)</b>	<b>\$ (525)</b>	<b>\$ 338,278</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECT - PARKS  
YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	292	292
Miscellaneous	-	-	60	60
Transfers in	-	205,840	79,840	(126,000)
<b>Amounts Available for Appropriations</b>	<b>-</b>	<b>205,840</b>	<b>80,192</b>	<b>(125,648)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	227,000	71,016	155,984
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>227,000</b>	<b>71,016</b>	<b>155,984</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (21,160)</b>	<b>\$ 9,176</b>	<b>\$ 30,336</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 JUNE 30, 2017

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	Refundable Deposits Trust Fund	Employees Deferred Comp Trust Fund	Totals
<b>Assets:</b>			
Cash and investments	\$ 301,919	\$ 88,367	\$ 390,286
<b>Total Assets</b>	<b>\$ 301,919</b>	<b>\$ 88,367</b>	<b>\$ 390,286</b>
<b>Liabilities:</b>			
Accounts payable	\$ 1,535	\$ -	\$ 1,535
Deposits payable	300,384	88,367	388,751
<b>Total Liabilities</b>	<b>\$ 301,919</b>	<b>\$ 88,367</b>	<b>\$ 390,286</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2017

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2017</u>
<b><u>Refundable Deposits Trust Fund</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 396,506	\$ 210,641	\$ 305,228	\$ 301,919
<b>Total Assets</b>	<b><u>\$ 396,506</u></b>	<b><u>\$ 210,641</u></b>	<b><u>\$ 305,228</u></b>	<b><u>\$ 301,919</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 270	\$ 215,796	\$ 214,531	\$ 1,535
Deposits payable	396,236	199,227	295,079	300,384
<b>Total Liabilities</b>	<b><u>\$ 396,506</u></b>	<b><u>\$ 415,023</u></b>	<b><u>\$ 509,610</u></b>	<b><u>\$ 301,919</u></b>
<b><u>Employees Deferred Comp Trust Fund</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 80,952	\$ 7,415	\$ -	\$ 88,367
<b>Total Assets</b>	<b><u>\$ 80,952</u></b>	<b><u>\$ 7,415</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 88,367</u></b>
<b>Liabilities:</b>				
Deposits payable	\$ 80,952	\$ 7,415	-	\$ 88,367
<b>Total Liabilities</b>	<b><u>\$ 80,952</u></b>	<b><u>\$ 7,415</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 88,367</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 477,458	\$ 218,056	\$ 305,228	\$ 390,286
<b>Total Assets</b>	<b><u>\$ 477,458</u></b>	<b><u>\$ 218,056</u></b>	<b><u>\$ 305,228</u></b>	<b><u>\$ 390,286</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 270	\$ 215,796	\$ 214,531	\$ 1,535
Deposits payable	477,188	206,642	295,079	388,751
<b>Total Liabilities</b>	<b><u>\$ 477,458</u></b>	<b><u>\$ 422,438</u></b>	<b><u>\$ 509,610</u></b>	<b><u>\$ 390,286</u></b>