

**CITY OF GRAND TERRACE, CALIFORNIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### **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, the Housing Authority and the Child Care Center special revenue funds, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



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 April 12, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Lance, Soll & Lingham, LLP*

Brea California  
April 12, 2016



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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, 2015. 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 and deferred outflows of the City of Grand Terrace exceeded its liabilities and deferred inflows at June 30, 2015 by \$19 million (net position).
- The City's net position decreased by \$4.6 million from the previous fiscal year from \$23.6 million to \$19 million.
- In the Current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27. As a result, the unfunded net pension liability of \$3.2 million is recorded on the City's Statement of Net Position.
- As of June 30, 2015, the City of Grand Terrace's governmental funds had reported combined ending fund balances of \$7.2 million, an increase of \$0.9 million. Of this total, approximately \$5.2 million, or 73.0% 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 increase of \$3.6 million. The City's net pension liability which increased by \$3.2 million mainly contributed to this increase. The City's Other Post-Employment Benefits (OPEB) Liability and California Joint Powers Insurance Authority (CJPIA) Retrospective Liability increased by \$0.27 million, and \$0.29 million respectively. The City's Capital Lease obligation with Zion's bank and the Compensated Absences Liability of the City decreased by \$0.19 million and \$0.02 million respectively.
- The General Fund had a year-end fund balance of \$2.4 million. This was an increase of \$0.48 million and an increase of 24.6% over Fiscal Year (FY) 2013- 14.

### 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 fund 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, deferred outflows and inflows, and liabilities - are 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 City charges fees for services to customers and all related costs of services are accounted for in this fund.

### **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, 2015, net position for the City of Grand Terrace was \$18,960,475; compared to net position of \$23,596,234 at June 30, 2014.

A summary of the government-wide Statement of Net Position at June 30, 2015 and June 30, 2014 are as follows:

Table 1  
Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,914,719	\$ 7,933,432	\$ 1,836,691	\$ 2,629,192	\$ 10,751,410	\$10,562,624
Capital assets, net	11,797,327	12,345,148	4,973,978	5,062,548	16,771,305	17,407,696
Total assets	20,712,046	20,278,580	6,810,669	7,691,740	27,522,715	27,970,320
Deferred Outflows for Pension	195,702	-	-	-	195,702	-
Other liabilities	1,372,090	1,226,028	418,683	505,350	1,790,773	1,731,378
Long-term liabilities	6,222,244	2,642,708	-	-	6,222,244	2,642,708
Total liabilities	7,594,334	3,868,736	418,683	505,350	8,013,017	4,374,086
Deferred inflows for Pension	744,925	-	-	-	744,925	-
Net investment in capital assets	10,576,784	10,934,661	4,973,978	5,062,548	15,550,762	15,997,209
Restricted	5,216,299	4,493,682	-	-	5,216,299	4,493,682
Unrestricted	(3,224,594)	981,501	1,418,008	2,123,842	(1,806,586)	3,105,343
Total net assets	\$ 12,568,489	\$16,409,844	\$ 6,391,986	\$ 7,186,390	\$ 18,960,475	\$23,596,234

\$15,550,762 (82.0%) 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 \$5,216,299 (27.5%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position resulted in a negative amount of \$1,806,586 (-9.5%) mainly due to the net pension liability of over \$3.2 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, 2015 and 2014 are as follows:

Table 2  
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues and transfers</b>						
Program revenues:						
Charges for services	2,052,237	1,843,798	16,949	1,533,755	2,069,186	3,377,553
Operating contributions and grants	326,483	418,608	-	-	326,483	418,608
Capital contributions and grants	336,881	29,447	-	-	336,881	29,447
General revenues:						
Property tax	2,287,751	3,257,105	-	-	2,287,751	3,257,105
Sales tax	827,251	1,359,930	-	-	827,251	1,359,930
Motor vehicle in lieu	5,212	-	-	-	5,212	-
Other taxes	523,078	504,125	-	-	523,078	504,125
Sales of property	724,424	24,971	900	2,214	725,324	27,185
Other revenues	53,958	81,426	-	-	53,958	81,426
<b>Total revenues and transfers</b>	<b>7,137,275</b>	<b>7,519,410</b>	<b>17,849</b>	<b>1,535,969</b>	<b>7,155,124</b>	<b>9,055,379</b>
<b>Expenses</b>						
General government	1,684,252	1,315,202	-	-	1,684,252	1,315,202
Public safety	1,888,371	1,824,976	-	-	1,888,371	1,824,976
Public works	1,582,132	1,478,267	-	-	1,582,132	1,478,267
Economic development	12,570	5,426	-	-	12,570	5,426
Cultural and recreation	2,046,098	1,847,658	-	-	2,046,098	1,847,658
Interest on long-term debt	64,905	70,455	-	-	64,905	70,455
Waste water disposal	-	-	1,306,013	1,579,513	1,306,013	1,579,513
<b>Total Expenses</b>	<b>7,278,328</b>	<b>6,541,984</b>	<b>1,306,013</b>	<b>1,579,513</b>	<b>8,584,341</b>	<b>8,121,497</b>
<b>Extraordinary item</b>						
Gain on asset transfers denied by DOF	-	438,680	-	-	-	438,680
Change in net position	(141,053)	1,416,106	(1,288,164)	(43,544)	(1,429,217)	1,372,562
Beginning net position	16,409,844	15,110,429	7,186,390	7,229,934	23,596,234	22,340,363
Restatement of Net Position	(3,700,302)	(116,691)	493,760	-	(3,206,542)	(116,691)
<b>Ending net position</b>	<b>\$ 12,568,489</b>	<b>\$ 16,409,844</b>	<b>\$ 6,391,986</b>	<b>\$ 7,186,390</b>	<b>\$ 18,960,475</b>	<b>\$ 23,596,234</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 for the City decreased by \$4,635,759 or 19.6% during the fiscal year. This decrease is mainly due to the net pension liability of \$3.2 million that was recorded during FY 2014-15 as a result of the implementation of GASB 68. Taken separately, the net position of governmental activities decreased by \$3,841,355 while the net position of business-type activities decreased by \$794,404. Total expenses of \$8,584,341 were offset by total revenues of \$7,155,124. 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 increase of \$1,069,738. Of this amount, a net increase of \$500,206 is attributable to the nonmajor funds, a net decrease of \$1,298 to Capital Projects, a net decrease of \$149,451 to the Child Care Center, a net increase of \$15,304 to the Housing Authority, a net increase of \$227,726 to the Street Improvement Fund, with the difference being a net increase to the General Fund of \$477,251.

Interest on long-term debt expenses decreased by \$5,550 or 7.9 percent compared to the prior year. The \$70,455 in long-term debt interest charged to the General Fund during FY 2014- 15 was for the Zion Bank Capital lease.

### Governmental Activities

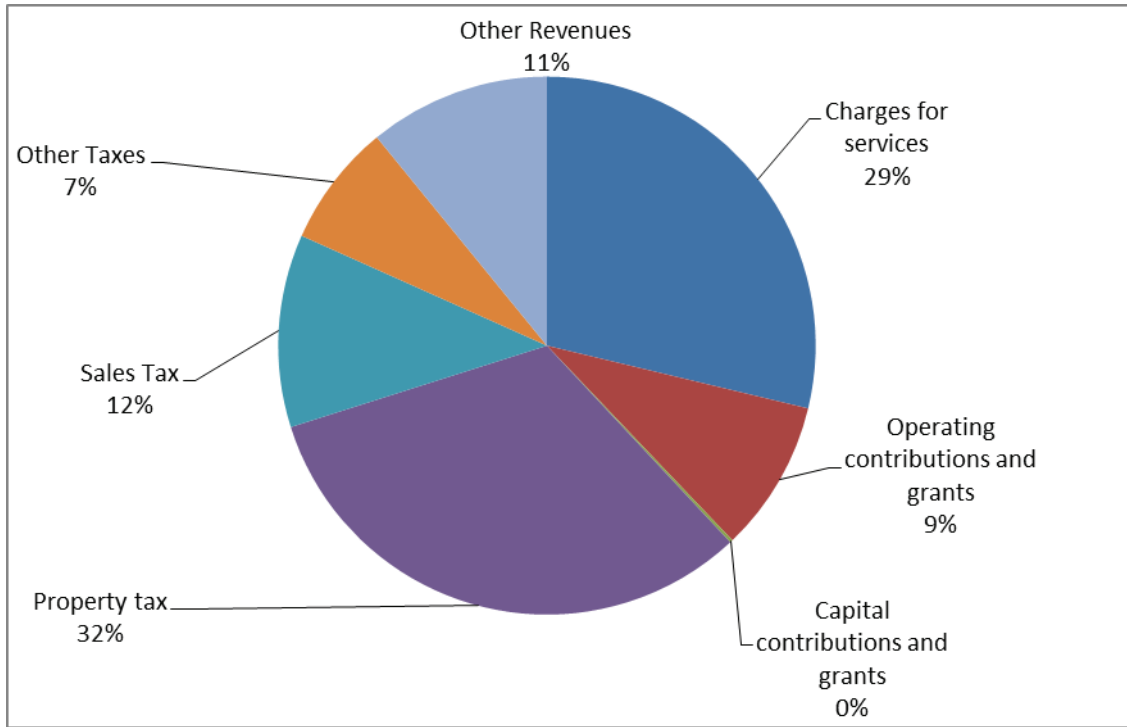
The following table shows the cost of each of the City's major programs and their net cost after subtracting fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City taxpayers by each of the programs.

#### Net Cost of Governmental Activities

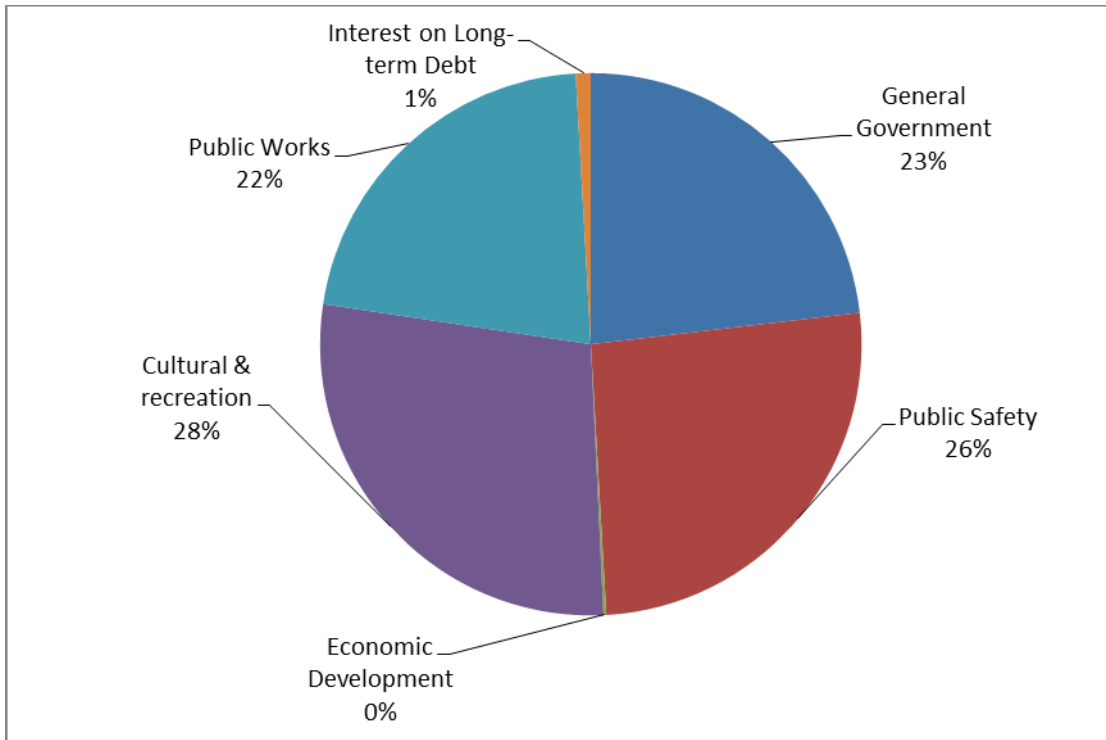
	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,684,252	\$ 1,371,504	\$ 1,315,202	\$ 1,158,744
Public safety	1,888,371	1,666,587	1,824,976	1,497,644
Public works	1,582,132	531,957	1,478,267	956,413
Economic development	12,570	12,570	5,426	5,426
Cultural and recreation	2,046,098	915,204	1,847,658	561,449
Interest on long-term debt	64,905	64,905	70,455	70,455
<b>Total</b>	<b>\$ 7,278,328</b>	<b>\$ 4,562,727</b>	<b>\$ 6,541,984</b>	<b>\$ 4,250,131</b>

This table shows the cost of all governmental activities this year was \$7,278,328. General tax dollars paid for approximately 60 percent of this cost. Fees, grants and contributions funded the balance of the cost of governmental activities.

**Revenues by Source - Governmental Activities \$7,137,275**



**Expenses by Function - Governmental Activities - \$7,278,328**

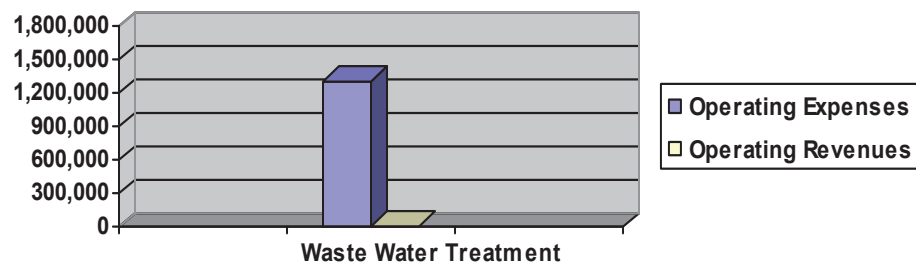




## Business-Type Activity

In March 2014, the cities of Grand Terrace and Colton entered into settlement for sewer services and lease agreements for fifty (50) years. These agreements settled all related litigation between Grand Terrace and Colton and extricated Grand Terrace from the waste water collection business. The huge drop in operating revenues during FY 2014-15 resulted because effective July 1, 2014, the City of Colton took over the responsibility of providing wastewater collection, operation, distribution and maintenance activities on behalf of Grand Terrace users. Operating expenses compared to the previous fiscal year decreased by \$273,500 (or 17.3 percent), from \$1,579,513 in FY 2013-14 to \$1,306,013 in FY 2014-15. Included in the \$1.3 million total expenditures during FY 2014-15 is the \$1.2 million paid by the City of Grand Terrace to the City of Colton in accordance with the agreed upon settlement agreement between the two cities.

### 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 the current fiscal year, the fund balance of the General Fund increased \$477,251 to \$2,414,215 from a fund balance of \$1,936,964 at June 30, 2014. Total fund balance in all Governmental Funds was \$7,158,843.

General Fund Revenues and Expenditures amounted to:

	2014-15	2013-14	Increase (Decrease) in Fund Balance
Revenues	\$ 4,882,912	\$ 5,286,772	\$ (403,860)
Expenditures	(4,314,734)	(4,761,050)	446,316
Other Sources (Uses)	(90,927)	(82,539)	(8,388)
Net Change in Fund Balance	477,251	443,183	34,068
Beginning Fund Balance	1,936,964	1,493,781	443,183
Ending Fund Balance	\$ 2,414,215	\$ 1,936,964	\$ 477,251

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

- General Fund revenues and transfers in exceeded expenditures and transfers out by \$477,251. Total fund revenues decreased by \$403,860 or 7.6 percent from FY 2013-14. This decrease in total general fund revenues is attributable mainly to the decrease in property tax revenues amounting to \$968,789 and the decrease in Sales tax of \$133,546. The decrease in these two major General Fund revenues were partly offset by the \$400,000 received by the City as one- time advance lease payment in consideration of the Sewer Services Agreement between the City of Colton, Colton Utility Authority and the City of Grand Terrace and the \$300,000 also received by the City of Grand Terrace from the City of Colton and the Colton Utility Authority as annual lease payment for the FY 2014-15 in accordance with the signed Waste Water Lease Agreement between the parties involved.
- Property taxes received decreased by 30 percent from \$3,245,294 to \$2,276,505, a difference of \$968,789. This decrease in property tax is attributable to the decrease in the City's share of excess revenue distribution as a result of the Community Redevelopment Agency (CRA) dissolution. The City's residual receipts dropped from \$1,169,419 in FY 2013-14 to \$761,191 in FY 2014-15, a difference of \$408,228. In addition, there was a one- time receipt of \$616,484 during FY 2013-14 that was attributable to the accelerated loan repayment made by the General Fund to the Successor Agency which also contributed to said decrease in property tax.
- Sales tax and Sales tax-in-lieu decreased by 13.7 percent from \$958,648 to \$827,251.
- Charges for service, including licenses and permits in FY 2014-15 increased by 10.7% compared to FY 2013-14 from \$825,471 to \$913,508. Marked increases were shown for the following revenues – construction permits, public works permits and engineering plan/review.
- Fines and forfeitures had a net decrease of \$146,745 from \$221,656 in FY 2013-14 to \$74,911 in FY 2014-15. The loss of the following one-time revenue items received in FY 2013-14 contributed to the decrease in revenues in this category: Workers' Compensation rebate on the Sheriff's Contract of \$112,054 and claims, judgments & settlements of \$54,323.
- The overall operating expenditures of the General Fund decreased by 9.4 percent over the prior year - from \$4.8 million to \$4.3 million. During FY 2013-14, an accelerated loan payment of \$1.09 million was made by the General Fund to Successor Agency to repay previous loans made from the CRA to the City's General Fund. (The repayment was made to the County Auditor-Controller for subsequent distribution to the various taxing entities.) The overall operating expenditures of the General Fund decreased in the current fiscal year partly because a similar major financial transaction such as the one mentioned above did not occur again in FY 2014-15. Also as a result of this, general government expenditures showed a decrease in expenditures amounting to \$620,762. However, the following City program categories ended the year with higher expenditures incurred during FY 2014-15 compared to FY 2013-14: Public Safety, Public Works & Cultural & Recreation.
- There were still cost savings in various areas attributed to the City's ongoing cost reduction and control measures - including continuation of a 10 percent employee salary reduction implemented via work furlough, elimination and deferral of some employee benefits, deferral of merit increases, and reallocation of some employee salaries to other funds.

- Of the total \$4,314,734 in General fund operating expenditures, total general government expenditures represented 19.1% percent, Public works expenditures represented 22.3 percent and Public safety expenditures represented 41.0 percent. The other 17.6 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 Projects Fund.

The Street Improvement Fund had a net change of \$227,726 during the fiscal year.

The fund balance of the Housing Authority Fund increased by \$15,304 during FY 2014- 15. 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 (\$149,451), while the Capital Projects Fund had a net change of (\$1,298) at June 30, 2015.

### **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, 2015, the City had invested \$16,771,305, 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.

**Capital Assets  
(Net of depreciation)**

	Governmental Activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,177,069	\$ 2,177,069	\$ -	\$ -	\$ 2,177,069	\$ 2,177,069
Buildings	3,213,528	3,369,131	-	-	3,213,528	3,369,131
Improvements	1,768,665	1,942,463	122,210	130,637	1,890,875	2,073,100
Equipment	146,463	178,152	-	-	146,463	178,152
Vehicles	102,810	63,673	-	-	102,810	63,673
Infrastructure	2,790,676	3,017,842	-	-	2,790,676	3,017,842
Sewer mains	-	-	2,640,977	2,685,679	2,640,977	2,685,679
Sewer laterals	-	-	1,328,841	1,349,851	1,328,841	1,349,851
Sewer manholes	-	-	881,950	896,381	881,950	896,381
Construction in progress	1,598,116	1,596,818	-	-	1,598,116	1,596,818
	<u>\$11,797,327</u>	<u>\$12,345,148</u>	<u>\$4,973,978</u>	<u>\$5,062,548</u>	<u>\$16,771,305</u>	<u>\$17,407,696</u>

**Long-Term Debt**

At the end of the current fiscal year, the City had debt outstanding of \$6,222,244. Of this amount, \$1,220,543 is owed to Zions National Bank for the Civic Center facility. The City adopted Governmental Accounting and Financial Reporting for Pensions during the year. As a result, the City recognized the unfunded net pension liability of \$3,229,236. The remaining \$1,772,465 is comprised of other debt such as OPEB obligations for retiree health benefits, CJPIA retrospective liability owed to the Authority and compensated absences payable. Of the total outstanding debt, \$226,682 is due and payable within one year.

**Outstanding Debt  
Governmental Activities**

	2015	2014
Leases Payable- Zions Bank	\$ 1,220,543	\$ 1,410,485
CJPIA Retrospective Liability	286,652	-
OPEB obligation	1,396,947	1,125,477
Net Pension Liability	3,229,236	-
Compensated Absences	88,866	106,746
Total Outstanding Debt	<u>\$ 6,222,244</u>	<u>\$ 2,642,708</u>

The City's total debt increased by \$3,579,536 during FY 2014- 2015. This 135% increase in the City's total debt compared to the previous fiscal year is mainly attributable to the City's adoption of the new GASB pronouncement involving its pension liability in the current year.

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

### **Economic Factors and Outlook for Future Years**

The City of Grand Terrace finds itself in one of its strongest financial positions it has been in since its incorporation in 1978. The FY2014-15 budget was balanced with over 50% General Fund Balance, which exceeds the 18% fund balance recommended by the Government Accounting Standards Board (GASB). However, it is still important for the City's financial management to report on current issues affecting the City and their economic impact on FY 2015-16, and future years. Despite reservations of the San Bernardino Local Agency Formation Commission regarding the City's ability to sustain itself financially over the long term, Grand Terrace approaches its 40<sup>th</sup> birthday in 2018 and has proven itself to be a resilient and unique community in the center of the Inland Empire. From 1980 to 2011, the City survived on a combination of General Fund and redevelopment tax increment revenues, which allowed it to remain a small and safe bedroom community, while other cities doubled in size during the same time period. Grand Terrace took pride in being one of the safest communities in the Inland Empire.

After the loss of redevelopment revenues, new light was shed on the structural imbalance between revenues and expenses contained in the City's General Fund, forcing the City to restructure. As a result, the City has implemented many cost reduction and containment strategies, including reducing City Hall staff by approximately 67% and contracting out some essential services (Finance, Information Technology, Park Maintenance, and Animal Control). During the City's restructuring, the economy also started to slowly improve, allowing the City to achieve a structurally-balanced budget for FY 2014-15. While management began to right size the organization, policy makers also made plans for the future, adopting a Vision and Strategic Plan, with a new focus on economic development. Grand Terrace Policy Makers adopted new values that included fiscal solvency and responsible fiscal management. 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.

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. The City's way forward from 2016-2020 will be a focus on infrastructure, development and quality housing stock.

The City will have a new entry way off the 1-215 corridor as CalTrans and SanBAG (San Bernardino Associated Governments) have secured funding to improve the Barton Road interchange into Grand Terrace. The interchange project is valued at \$80,000,000 and will be fully funded from Federal and local transportation taxes. The interchange will increase capacity from 20,000 cars per day to over 40,000 cars per day. The intersection project will support the following projects:

1. \$50,000,000 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 City owns approximately 57-acres of undeveloped property along the I-215 freeway Barton Road exit. It is in the southwest area of the community and has been engaged with the Inland Empire's most significant development entity (one of its oldest) to bring about a significant development project on the property. The developer will combine City owned land with other surrounding vacant parcels for a project that is estimated to have an overall construction value of \$100,000,000. Staff anticipates this project to start to develop from 2019 – 2024.
4. Although Redevelopment has ended, the City's Successor Agency and Housing Successor Agency retained several valuable properties that can be developed into significant pads on Barton Road. In addition, private development on Barton Rd is also starting to see significant interest. There are several large vacant parcels on the new Stater Bros. site and the Old Stater Bros. Shopping center that are currently under consideration for new private development. In all 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. Construction has started on a 34- and 17-lot single-family detached subdivisions since 2016 with several other projects in the pipeline. Grand Terrace's Median Home Value increased by 6% in 2015. With the significant job creation potential of the Southwest Corridor Project discussed above, upward pressure on existing home values will continue to be exerted until some equilibrium is reached between supply and demand. Given the limited, undeveloped residentially zoned property in the City—The City's 2020 and Build-out (2035) Growth Projections indicate approximately 97 single and multi-family units can be built and Grand Terrace is one of the most desirable places to live in the Inland Empire.

As a result of the improving economy, our retail sector is seeing 10-14% growth in sales taxes per quarter. Yet Grand Terrace is vulnerable as over 50% of our sales taxes are generated from 5 businesses in the City. 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. 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 clearly shows the fiscal challenges awaiting the City in all of the remaining fiscal years covered by the Analysis and despite the development and approval of a structurally-balanced budget for FY 2015-16. This led to the City adopting its first ever Quality of Life Enhancement and Preservation (QLEAP) Program.

Although City Council balanced the FY2014-15 Budget and exceeded GASB recommended fund balance levels, the City Council recognized that a balance budget severely reduced the City's level of service (service insolvency). The elimination of nonessential programs impacts the quality of life of residents, so City Council set out to restore some services, those that did not require long term financial commitment. The QLEAP Projects included adding quality of life projects back into the budget with year-end surpluses. The City added \$477,000 in quality of life programs into the new

fiscal year budget from \$200,000 in additional police funding, to surveillance cameras, to youth employment and summer recreation. City Council recognizes that “quality of life” is an important economic factor that allows citizens to stay engaged and promote economic health of a community.

### **Contacting the City's Financial Management**

This financial report is designed to provide the City’s residents, businesses, customers, investors, creditors and other stakeholders with a general overview of the City's finances and to show the City's accountability for the money it receives. If there are questions about this report or if additional financial information is needed, please contact the Finance Director's Office, at the City of Grand Terrace, 22795 Barton Road, Grand Terrace, California 92313, or call 909-824-6621. This report and other information are also available at the official City website at <http://www.grandterrace-ca.gov>.

CITY OF GRAND TERRACE

STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 6,451,885	\$ 1,734,638	\$ 8,186,523
Receivables:			
Accounts	57,117	102,053	159,170
Notes and loans	727,548	-	727,548
Accrued interest	533	-	533
Prepaid costs	2,858	-	2,858
Due from other governments	1,034,612	-	1,034,612
Land held for resale	640,166	-	640,166
Capital assets not being depreciated	3,775,185	-	3,775,185
Capital assets, net of depreciation	8,022,142	4,973,978	12,996,120
<b>Total Assets</b>	<b>20,712,046</b>	<b>6,810,669</b>	<b>27,522,715</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows for Pension	195,702	-	195,702
<b>Total Deferred Outflows of Resources</b>	<b>195,702</b>	<b>-</b>	<b>195,702</b>
<b>Liabilities:</b>			
Accounts payable	324,854	411,808	736,662
Accrued liabilities	74,060	-	74,060
Accrued interest	22,076	-	22,076
Deposits payable	4,663	6,875	11,538
Due to other governments	946,437	-	946,437
Noncurrent liabilities:			
Due within one year	226,682	-	226,682
Due in more than one year	1,369,379	-	1,369,379
Other Post Employment Benefits	1,396,947	-	1,396,947
Net Pension Liability	3,229,236	-	3,229,236
<b>Total Liabilities</b>	<b>7,594,334</b>	<b>418,683</b>	<b>8,013,017</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows for Pension	744,925	-	744,925
<b>Total Deferred Inflows of Resources</b>	<b>744,925</b>	<b>-</b>	<b>744,925</b>
<b>Net Position:</b>			
Net investment in capital assets	10,576,784	4,973,978	15,550,762
Restricted for:			
Community development projects	2,687,990	-	2,687,990
Public safety	5,755	-	5,755
Public works	2,517,891	-	2,517,891
Unrestricted	(3,219,931)	1,418,008	(1,801,923)
<b>Total Net Position</b>	<b>\$ 12,568,489</b>	<b>\$ 6,391,986</b>	<b>\$ 18,960,475</b>



CITY OF GRAND TERRACE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	<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	\$ 1,684,252	\$ 303,197	\$ 9,551	\$ -
Public safety	1,888,371	115,533	106,251	-
Economic development	12,570	-	-	-
Cultural and recreation	2,046,098	1,130,894	-	-
Public works	1,582,132	502,613	210,681	336,881
Interest on long-term debt	64,905	-	-	-
<b>Total Governmental Activities</b>	<b>7,278,328</b>	<b>2,052,237</b>	<b>326,483</b>	<b>336,881</b>
Business-Type Activities:				
Waste Water Disposal	1,306,013	16,949	-	-
<b>Total Business-Type Activities</b>	<b>1,306,013</b>	<b>16,949</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 8,584,341</b>	<b>\$ 2,069,186</b>	<b>\$ 326,483</b>	<b>\$ 336,881</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>
\$ (1,371,504)	\$ -	\$ (1,371,504)
(1,666,587)	-	(1,666,587)
(12,570)	-	(12,570)
(915,204)	-	(915,204)
(531,957)	-	(531,957)
(64,905)	-	(64,905)
<b>(4,562,727)</b>	<b>-</b>	<b>(4,562,727)</b>
-	(1,289,064)	(1,289,064)
-	<b>(1,289,064)</b>	<b>(1,289,064)</b>
<b>(4,562,727)</b>	<b>(1,289,064)</b>	<b>(5,851,791)</b>
2,287,751	-	2,287,751
827,251	-	827,251
449,109	-	449,109
73,969	-	73,969
5,212	-	5,212
724,424	900	725,324
53,958	-	53,958
<b>4,421,674</b>	<b>900</b>	<b>4,422,574</b>
(141,053)	(1,288,164)	(1,429,217)
16,409,844	7,186,390	23,596,234
(3,700,302)	493,760	(3,206,542)
12,709,542	7,680,150	20,389,692
<b>\$ 12,568,489</b>	<b>\$ 6,391,986</b>	<b>\$ 18,960,475</b>

CITY OF GRAND TERRACE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Street Improvement</u>	<u>Housing Authority</u>	<u>Child Care Center</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 3,167,304	\$ 1,302,424	\$ 37,435	\$ -
Interest receivable	533	-	-	-
Accrued revenue	32,025	-	-	25,092
Prepaid costs	2,399	-	-	459
Due from other funds	351,925	-	-	-
Due from other governments	200,004	-	448,636	2,869
Advances to other funds	-	-	168,205	-
Notes and loans receivable	-	-	727,548	-
Property held for resale	-	-	640,166	-
<b>Total Assets</b>	<b><u>\$ 3,754,190</u></b>	<b><u>\$ 1,302,424</u></b>	<b><u>\$ 2,021,990</u></b>	<b><u>\$ 28,420</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 194,101	\$ -	\$ -	\$ 121,631
Accrued liabilities	52,397	-	-	19,933
Due to other funds	-	-	-	15,826
Due to other governments	925,272	-	21,165	-
Advances from other funds	168,205	-	-	-
Refundable deposits	-	4,663	-	-
<b>Total Liabilities</b>	<b><u>1,339,975</u></b>	<b><u>4,663</u></b>	<b><u>21,165</u></b>	<b><u>157,390</u></b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	58,548	3,898
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>58,548</u></b>	<b><u>3,898</u></b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	2,399	-	-	-
Deposits	-	4,663	-	-
<b>Restricted for:</b>				
Community development projects	-	-	1,942,277	-
Public safety	-	-	-	-
Public works	-	1,293,098	-	-
<b>Committed to:</b>				
Committed to contingencies	880,000	-	-	-
Committed to equipment replacement	400,000	-	-	-
Committed to budget stabilization	559,823	-	-	-
Committed to fund other post employment benefit obligations	261,500	-	-	-
<b>Unassigned</b>	<b><u>310,493</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(132,868)</u></b>
<b>Total Fund Balances</b>	<b><u>2,414,215</u></b>	<b><u>1,297,761</u></b>	<b><u>1,942,277</u></b>	<b><u>(132,868)</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 3,754,190</u></b>	<b><u>\$ 1,302,424</u></b>	<b><u>\$ 2,021,990</u></b>	<b><u>\$ 28,420</u></b>

CITY OF GRAND TERRACE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Pooled cash and investments	\$ -	\$ 1,944,722	\$ 6,451,885
Interest receivable	-	-	533
Accrued revenue	-	-	57,117
Prepaid costs	-	-	2,858
Due from other funds	-	15,437	367,362
Due from other governments	340,101	43,002	1,034,612
Advances to other funds	-	-	168,205
Notes and loans receivable	-	-	727,548
Property held for resale	-	-	640,166
<b>Total Assets</b>	<b><u>\$ 340,101</u></b>	<b><u>\$ 2,003,161</u></b>	<b><u>\$ 9,450,286</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 9,122	\$ 324,854
Accrued liabilities	-	1,730	74,060
Due to other funds	335,488	16,048	367,362
Due to other governments	-	-	946,437
Advances from other funds	-	-	168,205
Refundable deposits	-	-	4,663
<b>Total Liabilities</b>	<b><u>335,488</u></b>	<b><u>26,900</u></b>	<b><u>1,885,581</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	343,416	-	405,862
<b>Total Deferred Inflows of Resources</b>	<b><u>343,416</u></b>	<b><u>-</u></b>	<b><u>405,862</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid costs	-	-	2,399
Deposits	-	-	4,663
<b>Restricted for:</b>			
Community development projects	-	745,713	2,687,990
Public safety	-	5,755	5,755
Public works	-	1,224,793	2,517,891
<b>Committed to:</b>			
Committed to contingencies	-	-	880,000
Committed to equipment replacement	-	-	400,000
Committed to budget stabilization	-	-	559,823
Committed to fund other post employment benefit obligations	-	-	261,500
<b>Unassigned</b>	<b><u>(338,803)</u></b>	<b><u>-</u></b>	<b><u>(161,178)</u></b>
<b>Total Fund Balances</b>	<b><u>(338,803)</u></b>	<b><u>1,976,261</u></b>	<b><u>7,158,843</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 340,101</u></b>	<b><u>\$ 2,003,161</u></b>	<b><u>\$ 9,450,286</u></b>

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**CITY OF GRAND TERRACE**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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Fund balances of governmental funds		\$ 7,158,843
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,797,327
Deferred outflows related to contributions made after the actuarial measurement date and actuarial adjustments due to proportionate share made to the accrued net pensions liability.		195,702
Some liabilities are not due and payable in the current period and therefore are not reported in funds. Those liabilities consist of:		
Lease payable	\$ (1,220,543)	
Accrued interest payable	(22,076)	
Long-term compensated absences payable	(88,866)	
OPEB Obligation	<u>(1,396,947)</u>	(2,728,432)
CJPIA liability not available in the current period.		(286,652)
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.		(3,229,236)
Deferred inflows related to the net difference between projected and actual earnings on pension plan investments and difference between actual contributions and proportionate share of contributions.		(744,925)
Revenues that are not available in the current period are deferred in the governmental funds, but not in the statement of net position.		<u>405,862</u>
<b>Net Position of governmental activities</b>		<b><u><u>\$ 12,568,489</u></u></b>

CITY OF GRAND TERRACE

STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	General	Street Improvement	Housing Authority	Child Care Center
<b>Revenues:</b>				
Taxes	\$ 3,103,756	\$ -	\$ -	\$ -
Assessments	-	-	-	-
Intergovernmental	14,763	-	-	-
Charges for services	913,508	153,079	-	1,119,667
Use of money and property	722,509	669	20,935	17
Fines and forfeitures	74,911	-	-	-
Miscellaneous	53,465	-	-	-
<b>Total Revenues</b>	<b>4,882,912</b>	<b>153,748</b>	<b>20,935</b>	<b>1,119,684</b>
<b>Expenditures:</b>				
Current:				
General government	823,706	-	-	-
Public safety	1,769,058	-	-	-
Public works	962,384	-	-	-
Economic development	-	-	5,631	-
Cultural and recreation	504,739	-	-	1,269,135
Debt service:				
Principal retirement	189,942	-	-	-
Interest and fiscal charges	64,905	-	-	-
Capital outlay:				
Project improvement costs	-	-	-	-
<b>Total Expenditures</b>	<b>4,314,734</b>	<b>-</b>	<b>5,631</b>	<b>1,269,135</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	568,178	153,748	15,304	(149,451)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	73,978	-	-
Transfers out	(90,927)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(90,927)</b>	<b>73,978</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	477,251	227,726	15,304	(149,451)
Fund Balances, Beginning of Year, as previously reported	1,936,964	1,070,035	1,926,973	16,583
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	1,936,964	1,070,035	1,926,973	16,583
<b>Fund Balances, End of Year</b>	<b>\$ 2,414,215</b>	<b>\$ 1,297,761</b>	<b>\$ 1,942,277</b>	<b>\$ (132,868)</b>

CITY OF GRAND TERRACE

STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ 335,984	\$ 3,439,740
Assessments	-	194,700	194,700
Intergovernmental	-	337,262	352,025
Charges for services	-	99,466	2,285,720
Use of money and property	-	874	745,004
Fines and forfeitures	-	18,875	93,786
Miscellaneous	493	-	53,958
<b>Total Revenues</b>	<b>493</b>	<b>987,161</b>	<b>7,164,933</b>
<b>Expenditures:</b>			
Current:			
General government	-	-	823,706
Public safety	-	100,551	1,869,609
Public works	493	339,095	1,301,972
Economic development	-	-	5,631
Cultural and recreation	-	-	1,773,874
Debt service:			
Principal retirement	-	-	189,942
Interest and fiscal charges	-	-	64,905
Capital outlay:			
Project improvement costs	1,298	64,258	65,556
<b>Total Expenditures</b>	<b>1,791</b>	<b>503,904</b>	<b>6,095,195</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,298)	483,257	1,069,738
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	90,927	164,905
Transfers out	-	(73,978)	(164,905)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>16,949</b>	<b>-</b>
Net Change in Fund Balances	(1,298)	500,206	1,069,738
Fund Balances, Beginning of Year, as previously reported	(191,976)	1,485,288	6,243,867
Restatements	(145,529)	(9,233)	(154,762)
Fund Balances, Beginning of Year, as restated	(337,505)	1,476,055	6,089,105
<b>Fund Balances, End of Year</b>	<b>\$ (338,803)</b>	<b>\$ 1,976,261</b>	<b>\$ 7,158,843</b>



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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, 2015**

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Net change in fund balances - total governmental funds \$ 1,069,738

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.

This activity is reconciled as follows:

Cost of assets capitalized	\$ 65,556	
Depreciation expense	<u>(613,377)</u>	(547,821)

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		189,942
------------------------	--	---------

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	(271,470)	
Change in insurance payable	(482,976)	
Change in compensated absences payable	<u>17,880</u>	(736,566)

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.

(88,688)

Revenues that are not available in the current period are deferred in the governmental funds, but not in the statement of activities.

(27,658)

**Change in net position of governmental activities \$ (141,053)**

CITY OF GRAND TERRACE

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2015

	<u>Business-Type Activity</u>
	<u>Waste Water Disposal</u>
<b>Assets:</b>	
Current:	
Pooled cash and investments	\$ 1,734,638
Receivables:	
Accrued revenue	102,053
	<u>1,836,691</u>
<b>Total Current Assets</b>	<b>1,836,691</b>
Noncurrent:	
Capital assets:	
Sewer system	7,415,106
Less accumulated depreciation	<u>(2,441,128)</u>
	<u>4,973,978</u>
<b>Total Noncurrent Assets</b>	<b>4,973,978</b>
	<u><b>Total Assets</b></u>
	<u><b>\$ 6,810,669</b></u>
<b>Liabilities and Net Position</b>	
<b>Liabilities:</b>	
Current:	
Accounts payable	\$ 411,808
Deposits payable	6,875
	<u>418,683</u>
<b>Total Current Liabilities</b>	<b>418,683</b>
	<u><b>Total Liabilities</b></u>
	<b>418,683</b>
<b>Net Position:</b>	
Net investment in capital assets	4,973,978
Unrestricted	<u>1,418,008</u>
	<u><b>Total Net Position</b></u>
	<b>6,391,986</b>
	<u><b>Total Liabilities and Net Position</b></u>
	<u><b>\$ 6,810,669</b></u>

CITY OF GRAND TERRACE

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activity</u>
	<u>Waste Water Disposal</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 16,949
<b>Total Operating Revenues</b>	<b><u>16,949</u></b>
<b>Operating Expenses:</b>	
Depreciation expense	88,570
Contract services	1,209,013
Other expenses	8,430
<b>Total Operating Expenses</b>	<b><u>1,306,013</u></b>
Operating Income (Loss)	<u>(1,289,064)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest income	<u>900</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>900</u></b>
Changes in Net Position	<u>(1,288,164)</u>
<b>Net Position:</b>	
Beginning of Year, as previously reported	7,186,390
Restatements	<u>493,760</u>
Beginning of Fiscal Year, as restated	<u>7,680,150</u>
<b>End of Fiscal Year</b>	<b><u><u>\$ 6,391,986</u></u></b>

CITY OF GRAND TERRACE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activity</u>
	<u>Waste Water Disposal</u>
<b>Cash Flows from Operating Activities:</b>	
Cash payments to suppliers	\$ (829,041)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(829,041)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest received	900
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>900</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(828,141)</u>
Cash and Cash Equivalents at Beginning of Year	2,562,779
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 1,734,638</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (1,289,064)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>	
Depreciation	88,570
(Increase) decrease in accounts receivable	(35,640)
Increase (decrease) in accounts payable	407,093
<b>Total Adjustments</b>	<u>460,023</u>
<b>Net Cash Provided (Used) by     Operating Activities</b>	<u><u>\$ (829,041)</u></u>

CITY OF GRAND TERRACE

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2015

	Agency Funds	Successor Agency Private Purpose Trust Fund
<b>Assets:</b>		
Pooled cash and investments	\$ 407,404	\$ 19,464,511
Cash and investments with fiscal agent	-	1,757,985
Receivables:		
Interest	-	13,144
Due from other governments	-	925,272
Land held for resale	-	4,842,472
<b>Total Assets</b>	<b>\$ 407,404</b>	<b>27,003,384</b>
<b>Liabilities:</b>		
Accounts payable	\$ 361	19,870
Accrued liabilities	-	5,702
Accrued interest	-	396,108
Due to other governments	-	1,988,140
Long-term liabilities:		
Due in one year	-	565,000
Due in more than one year	-	18,587,956
Due to external parties	407,043	-
<b>Total Liabilities</b>	<b>\$ 407,404</b>	<b>21,562,776</b>
<b>Net Position:</b>		
Held in trust for other purposes		5,440,608
<b>Total Net Position</b>		<b>\$ 5,440,608</b>

CITY OF GRAND TERRACE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2015

	<b>Successor Agency Private Purpose Trust Fund</b>
<b>Additions:</b>	
RPTTF distribution	\$ 1,447,785
Investment earnings	31,530
	<hr/>
<b>Total Additions</b>	<b>1,479,315</b>
	<hr/>
<b>Deductions:</b>	
General	208,329
Debt service payments - interest	1,185,394
Other payments	455,633
	<hr/>
<b>Total Deductions</b>	<b>1,849,356</b>
	<hr/>
<b>Changes in Net Position</b>	<b>(370,041)</b>
	<hr/>
Net Position - Beginning of the Year	5,810,649
	<hr/>
<b>Net Position - End of the Year</b>	<b>\$ 5,440,608</b>
	<hr/> <hr/>

## 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 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 in these financial statements and are reported as a debt service fund.

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.



**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

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

period. Other revenue 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 to the same requirements 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 Projects Fund accounts for financial resources provided by grant funds for the land acquisition and construction of the Grand Terrace Fitness Park.

The City reports the following major proprietary fund:

- The Waste Water Disposal Fund is used to account for the provision of waste water disposal services to the residences and businesses of the City.

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 16).
- 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 and other charges between the government's waste water disposal function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Waste Water Disposal Fund are charges to customers for sales and services. Operating expenses for the same Enterprise Fund include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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 reserve 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 March 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.

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

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.

4. Property Held for Resale

Property held for resale is recorded at the lower of cost or net realizable value. Fund balances are reserved in amounts equal to the carrying value of the land held for resale because such assets are not available to finance the City's current operations.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

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.

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

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

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

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.

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 by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The City has not designated any level of authority for assigning fund balance; therefore, the City Council can assign fund balance.

When both restricted and unrestricted resources are available for use when expenditures are incurred, it is the City's policy to use restricted resources first, then

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

unrestricted resources as they are needed. It is the City's policy to consider committed amounts as being restricted first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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.

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, 2015, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 68

Accounting and financial Reporting for Pensions—an Amendment of GASB Statement No. 27 will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced

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

through new note disclosures and required supplementary information. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. This statement has been implemented.

GASB Statement No. 69

Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The provisions of GASB Statement No. 69 are effective for financial statements beginning after

December 15, 2014. The implementation of this statement did not affect the financial statements.

GASB Statement No. 71

Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB Statement No. 71 are effective for financial statements beginning after June 15, 2014. This statement has been implemented.

Additional standards released by GASB impacting future fiscal years are as follows:

GASB Statement No. 72

Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement for reporting periods beginning after June 15, 2015. The City has not fully judged the effect of the implementation of GASB Statement No. 72 as of the date of the basic financial statements.

GASB Statement No. 73

Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address



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

employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The City has not fully judged the effect of the implementation of GASB Statement No. 73 as of the date of the basic financial statements.

GASB Statement No. 74

Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The City has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.

GASB Statement No. 75

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. The City has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.

GASB Statement No. 76

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions in GASB Statement 76 are effective for reporting periods beginning after June 15, 2015. The City has not fully judged the effect of the implementation of GASB Statement No. 76 as of the date of the basic financial statements.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

GASB Statement No. 77

Tax Abatement Disclosures. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess whether current-year revenues were sufficient to pay for current-year services, compliance with finance-related legal or contractual requirements, where a government's financial resources come from and how it uses them, and financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City has not fully judged the effect of the implementation of GASB Statement No. 77 as of the date of the basic financial statements.

14. Deficit Fund Balances

As of June 30, 2015, the following funds have deficit fund balances:

	<u>Amount</u>
Child Care Center Fund	\$ (132,868)
Capital Projects Fund	(338,803)

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

15. Budget

The Spring Mount Ranch special revenue fund did not adopt a budget and therefore budgetary comparison information is not presented.

**Note 2: Cash and Investments**

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 8,186,523
Statement of Fiduciary Net Position:	
Cash and Investments	19,871,915
Cash and Investments with Fiscal Agents	<u>1,757,985</u>
Total Cash and Investments	<u>\$ 29,816,423</u>

Cash and investments as of June 30, 2015, consist of the following:

Cash on Hand	\$ 1,750
Deposits with Financial Institutions	3,605,461
Investments	<u>26,209,212</u>
Total Cash and Investments	<u>\$ 29,816,423</u>

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 2: Cash and Investments (Continued)**

Authorized Investments

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)  
 JUNE 30, 2015

**Note 2: 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	12 Months or Less
Certificates of Deposit	\$ 94,000	\$ 94,000
Local Agency Investment Fund (LAIF)	19,346,883	19,346,883
Local Gov. Invest. Pool (CAMP)	3,888,332	3,888,332
First American Treasury	1,071,782	1,071,782
General Savings	50,230	50,230
Held by Trustee:		
Money Market Mutual Funds	1,757,985	1,757,985
Total	\$ 26,209,212	\$ 26,209,212

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)	19,346,883	N/A	N/A
Local Gov. Invest. Pool (CAMP)	3,888,332	N/A	N/A
First American Treasury	1,071,782	N/A	N/A
General Savings	50,230	N/A	N/A
Held by Trustee:			
Money Market Mutual Funds - Fiscal Agents	1,757,985	AAAm	AAAm/A+
Total	\$ 26,209,212		

**Note 2: 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, 2015, 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, 2015, the City had deposits with financial institutions in excess of federal depository insurance limits of \$2,564,303 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, 2015, the carrying amount (at amortized cost) of the Pool was \$64,850,840,279 and the estimated fair value of the Pool was \$64,870,214,443. The City's proportionate share of the Pool's market value (as determined by LAIF) as of June 30, 2015, was \$19,346,883. 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)**  
**JUNE 30, 2015**

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**Note 2: 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, 2015, the City's share of the Pool (as determined by CAMP) is \$3,888,332. 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.

**Note 3: Interfund Receivable, Payable and Transfers**

The composition of interfund balances at June 30, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Child Care Fund	(1) \$ 15,826
	CDBG Fund	(2) 611
	Capital Projects Fund	(3) 335,488
Nonmajor Governmental Funds	Nonmajor Governmental Funds	(4) 15,437
		\$ 367,362

- (1) The General Fund advanced funds to the Child Care Fund to cover deficit cash balances.
- (2) The General Fund advanced funds to the CDBG Fund to cover deficit cash balances.
- (3) The General Fund advanced funds to the Capital Project Fund for current staff time in the amount of \$10,067 and to cover deficit cash balances in the amount of \$325,421.
- (4) The Facilities Development Fund advanced funds to the Traffic Safety fund to pay for delinquent contract fees due to the Redflex Traffic Systems.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 3: Interfund Receivable, Payable and Transfers (Continued)**

Advances from/to other funds:

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

In April 1980, the 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.

Interfund Transfers:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund (1)	\$ 90,927
Nonmajor Governmental Funds	Nonmajor Governmental Funds (2)	73,978
	Total Interfund Transfers	<u>\$ 164,905</u>

- (1) Transfers totaling \$90,579 were made from the General Fund to the State Gas Tax fund for franchise sweep fees and pavement impact fees to Gas Tax.
- (2) Transfers totaling \$348 were made from the General Fund to the Capital Project/Bond Proceeds fund to reimburse prior year transfers.
- (3) Transfers totaling \$73,978 were made to fund the Michigan/Main Signal Light capital project.

**Note 4: Loans Receivable**

General Fund

The City offers an employee loan program under which employees may be loaned, interest free, up to \$2,000 towards the purchase of a computer. The loans are repaid over a period not to exceed twenty-four months through payroll deductions. As of June 30, 2015, all remaining loans have been paid back to the City.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**Note 5: Capital Assets**

Capital assets activity for the year ended June 30, 2015, 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	\$ 2,177,069	\$ -	\$ -	\$ 2,177,069
Construction-in-progress	1,596,818	1,298	-	1,598,116
Total Capital Assets, Not Being Depreciated	<u>3,773,887</u>	<u>1,298</u>	<u>-</u>	<u>3,775,185</u>
Capital assets, being depreciated:				
Buildings	6,268,981	-	-	6,268,981
Machinery and Equipment	850,350	-	-	850,350
Vehicles	529,221	59,708	-	588,929
Improvements other than buildings	4,407,212	-	-	4,407,212
Infrastructure	4,307,376	4,550	-	4,311,926
Total Capital Assets, Being Depreciated	<u>16,363,140</u>	<u>64,258</u>	<u>-</u>	<u>16,427,398</u>
Less accumulated depreciation:				
Buildings	2,899,850	155,603	-	3,055,453
Machinery and Equipment	672,198	31,689	-	703,887
Vehicles	465,548	20,571	-	486,119
Improvements other than buildings	2,464,749	173,798	-	2,638,547
Infrastructure	1,289,534	231,716	-	1,521,250
Total Accumulated Depreciation	<u>7,791,879</u>	<u>613,377</u>	<u>-</u>	<u>8,405,256</u>
Total Capital Assets, Being Depreciated, Net	<u>8,571,261</u>	<u>(549,119)</u>	<u>-</u>	<u>8,022,142</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,345,148</u>	<u>\$ (547,821)</u>	<u>\$ -</u>	<u>\$ 11,797,327</u>

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

Governmental Activities:

General government	\$ 88,112
Public safety	12,554
Public works	260,821
Culture and recreation	<u>251,890</u>
Total Depreciation expense - Governmental Activities	<u>\$ 613,377</u>



CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

	Beginning Balance	Additions	Deletions	Ending Balance
<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	1,337,450	44,701	-	1,382,151
Laterals	541,092	21,011	-	562,103
Manholes	402,379	14,431	-	416,810
Improvements	71,637	8,427	-	80,064
Total Accumulated Depreciation	<u>2,352,558</u>	<u>88,570</u>	<u>-</u>	<u>2,441,128</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,062,548</u>	<u>\$ (88,570)</u>	<u>\$ -</u>	<u>\$ 4,973,978</u>

**Note 6: Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance	Due Within One Year
Capital Leases						
Zions National Bank	\$ 1,410,485	\$ -	\$ -	\$ 189,942	\$ 1,220,543	\$ 199,091
Total Capital Leases	<u>1,410,485</u>	<u>-</u>	<u>-</u>	<u>189,942</u>	<u>1,220,543</u>	<u>199,091</u>
CJPIA Retrospective Liability	-	-	286,652	-	286,652	-
OPEB Obligation	1,125,477	-	279,203	7,733	1,396,947	-
Net Pension Liability	-	3,689,771	-	460,535	3,229,236	-
Compensated Absences	106,746	-	73,294	91,174	88,866	27,591
Total Long-Term Liabilities	<u>\$ 2,642,708</u>	<u>\$ 3,689,771</u>	<u>\$ 639,149</u>	<u>\$ 749,384</u>	<u>\$ 6,222,244</u>	<u>\$ 226,682</u>

\* Adjustments are the result of the implementation of GASB Statement No. 68.

**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.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

Debt service payments to maturity for the 2009 Zions National Bank lease are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 199,091	\$ 64,906
2017	208,681	55,756
2018	218,732	46,167
2019	229,268	36,116
2020	240,310	14,537
2021	124,461	2,962
Total	<u>\$ 1,220,543</u>	<u>\$ 220,444</u>

CJPIA 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. CJPIA has temporarily deferred the payment on retrospective deposits owed to the Authority by members. The payment deferral period extends until July 1, 2015, for the Workers' Compensation program. Retrospective deposit payments are scheduled to resume on these dates. At June 30, 2015, the City has a retrospective deposit payable of \$286,652.

More information on the CJPIA retrospective balances can be found on the CJPIA website at [CJPIA.org](http://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, 2015 was \$3,229,236.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

**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.

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, 2015, for which the City of Grand Terrace has contracted:

	<b>Miscellaneous cost-sharing plans</b>		
	Tier 1	Tier 2	PEPRA
	Prior to December 13, 2012	December 13, 2012 but prior to January 1, 2013	January 1, 2013 and after
Hire date			
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	7.947%	7.947%	6.308%
Required employer contribution rates	21.991%	8.049%	6.250%

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

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as a part of pension expense for the plan was \$159,393 and \$157,288 for employer and employee contributions, respectively.

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

<b>Proportionate Share of Net Pension Liability</b>	
Miscellaneous Tier 1 and 2	\$ 3,229,086
Miscellaneous PEPRA	150
<b>Total Net Pension Liability:</b>	<b>\$ 3,229,236</b>

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, 2014, 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

	<b>Miscellaneous Tier 1 and 2</b>	<b>Miscellaneous PEPRA</b>	<b>Total Miscellaneous Plans</b>
<b>Proportion - June 30, 2013</b>	0.12034%	0.00001%	<b>0.12034%</b>
<b>Proportion - June 30, 2014</b>	0.13065%	0.00001%	<b>0.13066%</b>
<b>Change - Increase (Decrease)</b>	<b>0.01032%</b>	<b>0.00000%</b>	<b>0.01032%</b>

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

For the year ended June 30, 2015, the City recognized a total pension expense of \$248,081 for all plans in total. At June 30, 2015, 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	\$ 159,393	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	712,133
Adjustment due to Difference in Proportions	31,220	833
Difference between proportion actuarial and actual contributions	5,089	31,959
<b>Total</b>	<b><u>\$ 195,702</u></b>	<b><u>\$ 744,925</u></b>

\$159,393 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, 2016. 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>
2015	\$ (174,253)
2016	(174,253)
2017	(174,253)
2018	(185,857)
	<u>\$ (708,616)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.50%
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, 2013 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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

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

on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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.

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.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(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		

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:

<u>Plans' Net Pension Liability/(Asset)</u>	<u>Discount Rate -</u>		
	<u>1% 6.50%</u>	<u>Current Discount 7.50%</u>	<u>Discount Rate +1% 8.50%</u>
Miscellaneous Tier 1 and 2	\$ 5,032,758	\$ 3,229,086	\$ 1,732,208
Miscellaneous PEPRA	266	150	52
<b>TOTAL:</b>	<b>\$ 5,033,024</b>	<b>\$ 3,229,236</b>	<b>\$ 1,732,260</b>

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.

Payable to the Pension Plan

At June 30, 2015, the Local Government reported no payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**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.



**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

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

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 2014- 2015, the City contributed \$ \$7,733 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially in accordance with GASB Statement No. 45. The City obtained an updated actuarial study of the plan, but is in the process of having one performed in 2015. The calculation is solely based on the 2011 actuarial report prepared by Bartel & Associates, LLC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

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)	\$ 308,000
Interest in net OPEB obligation	45,019
Adjustment to ARC	<u>(73,816)</u>
Annual OPEB cost (expense)	279,203
Contributions made	<u>(7,733)</u>
Decrease/(Increase) in net OPEB obligation	271,470
Net OPEB obligation - beginning of year	<u>1,125,477</u>
Net OPEB obligation - end of year	<u><u>\$ 1,396,947</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 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)
6/30/2013	\$ 262,747	2%	\$ 863,986
6/30/2014	265,254	1%	1,125,477
6/30/2015	279,203	3%	1,396,947

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**

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

Funded Status and Progress

The funded status of the plan as of June 30, 2011 (the most recent valuation) was as follows:

Year Ending	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]
6/30/2013	6/30/2011	\$ -	\$ 2,290,000	\$ 2,290,000	0.0%	\$ 1,444,650	158.5%
6/30/2014	6/30/2011	-	2,558,000	2,558,000	0.0%	1,911,000	133.9%
6/30/2015	6/30/2011	-	-	-	0.0%	1,973,000	0.0%

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.

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 cost method used for determining the benefit obligations is the Projected Unit Credit Method. The actuarial assumptions included a 4.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by increments of 1.0% per year to an ultimate rate of 5.0% after the sixth year.

**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

**Note 9: Residential Mortgage Revenue Bonds (Continued)**

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, 2015, approximately \$1,850,000 of the bonds were outstanding.

**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:

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 (the "Authority"). The Authority is composed of 119 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 coverage. The Authority's pool 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 9-member Executive Committee.

Self-Insurance Programs of the Authority

General Liability

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

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

Workers' Compensation

The City of Grand Terrace also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

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. The City of Grand Terrace property is currently insured accordingly to a schedule of covered property submitted by the City of Grand Terrace to the Authority. The City of Grand Terrace property currently has all-risk property insurance protection in the amount of \$12,961,600. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

**Note 11: Contingencies**

As of June 30, 2015, 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.

**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.

**CITY OF GRAND TERRACE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**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. Most of California cities had established a redevelopment agency that was included in the reporting entity of the city as a blended component unit (since the city council, in many cases, also served as the governing board for those agencies). The Bill provided 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 administer assets, pay and adhere to the provisions of enforceable obligations, and to expeditiously settle the affairs of the dissolved redevelopment agency. If the City declines to accept the role of Successor Agency, other local agencies may elect to perform this role. If no local agency accepts the role of Successor Agency, the Governor is empowered by the Bill to establish a local "designated local authority" to perform this role. On January 4, 2012, the City Council met and created the Successor Agency of the former Redevelopment Agency of the City of Grand Terrace in accordance with the Bill as part of the City of Grand Terrace.

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.

Successor Agency long-term debt

Schedule of changes in long-term liabilities as of June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental-Activities:					
Bonds Payable:					
2011 Tax Allocation Bonds, Series A	\$ 14,635,000	\$ -	\$ 285,000	\$ 14,350,000	\$ 295,000
2011 Tax Allocation Bonds, Series B	5,195,000	-	255,000	4,940,000	270,000
Discount on Bonds issued	(146,154)	-	(9,110)	(137,044)	-
<b>Total Bonds Payable</b>	<b>\$ 19,683,846</b>	<b>\$ -</b>	<b>\$ 530,890</b>	<b>\$ 19,152,956</b>	<b>\$ 565,000</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.

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2015

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 295,000	\$ 813,745
2017	310,000	801,645
2018	320,000	789,445
2019	330,000	776,680
2020	340,000	762,478
2021-2025	2,000,000	3,522,750
2026-2030	4,675,000	2,671,350
2031-2035	6,080,000	756,000
Total	<u>\$ 14,350,000</u>	<u>\$ 10,894,093</u>

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.

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>
2016	\$ 270,000	\$ 359,095
2017	290,000	339,215
2018	310,000	317,915
2019	335,000	295,018
2020	360,000	270,345
2021-2025	2,225,000	894,933
2026-2030	1,150,000	90,090
Total	<u>\$ 4,940,000</u>	<u>\$ 2,566,611</u>

CITY OF GRAND TERRACE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 14: Net Position and Fund Balance Restatements**

Beginning Net Position has been restated as follows:

Governmental Activities

To properly implement GASB 68 and record the accrued Net Pension Liability as of June 30, 2015	\$ (3,689,771)
To recognize the reversal of unavailable revenues recognized in previous year that have not yet been collected	144,231
To establish unavailable revenues for revenues recognized in previous years that have not yet been collected	(145,529)
To reverse receivables already collected in previous years	<u>(9,233)</u>
Total restatement of Net Position	<u>\$ (3,700,302)</u>

Enterprise Funds

To remove amounts due to the City of Colton per a settlement agreement reached in March 2014	\$ 493,760
	<u>\$ 493,760</u>

Beginning Fund Balance has been restated as follows:

Governmental Funds

To reverse receivables already collected in previous years	\$ (9,233)
To establish unavailable revenues for revenues recognized in previous years that have not yet been collected	<u>(145,529)</u>
Total restatement of Net Position	<u>\$ (154,762)</u>

CITY OF GRAND TERRACE

**COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2015**

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	<u>2015</u>
<b><u>Miscellaneous Plan</u></b>	
Proportion of the Net Pension Liability	0.05189%
Proportionate Share of the Net Pension Liability	\$ 3,229,086
Covered-Employee Payroll	\$ 1,413,686
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	228.42%
Plan Fiduciary Net Position	\$ 10,366,842
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.25%
<b><u>PEPRA Miscellaneous Plan</u></b>	
Proportion of the Net Pension Liability	0.00000%
Proportionate Share of the Net Pension Liability	\$ 150
Covered-Employee Payroll	\$ 38,927
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	0.39%
Plan Fiduciary Net Position	\$ 732
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.99%

**Notes to Schedule:**

Benefit Changes: None

Changes of Assumptions: None

(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 one year is shown.



CITY OF GRAND TERRACE

**COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, 2015**

	<u>2015</u>
<b><u>Miscellaneous Plan</u></b>	
Actuarially Determined Contribution	\$ 159,393
Contribution in Relation to the Actuarially Determined Contribution	(159,393)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,413,686
Contributions as a Percentage of Covered-Employee Payroll	17.02%
<b><u>PEPRA Miscellaneous Plan</u></b>	
Actuarially Determined Contribution	\$ -
Contribution in Relation to the Actuarially Determined Contribution	-
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 38,927
Contributions as a Percentage of Covered-Employee Payroll	10.43%

(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 one year is shown.

**Note to Schedule:**

**Miscellaneous Plan and PEPRA Miscellaneous Plan**

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal cost method
Amortization method	Level percentage of payroll
Assets valuation method	
Inflation	2.75%
Salary Increases	3.30% to 14.20%, varies by Entry Age and Service
Investment rate of return	7.5% net of administrative expenses
Retirement age	55 years
Mortality	Based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date. The mortality assumption will be reviewed with the next experience study expected to be completed for the June 30, 2013 valuation to determine an appropriate margin to be used.

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,936,964	\$ 1,936,964	\$ 1,936,964	\$ -
<b>Resources (Inflows):</b>				
Taxes	2,767,370	2,767,370	3,103,756	336,386
Intergovernmental	35,000	45,000	14,763	(30,237)
Charges for services	837,400	852,100	913,508	61,408
Use of money and property	725,000	725,000	722,509	(2,491)
Fines and forfeitures	25,000	25,000	74,911	49,911
Miscellaneous	5,000	5,000	53,465	48,465
<b>Amounts Available for Appropriations</b>	<b>6,331,734</b>	<b>6,356,434</b>	<b>6,819,876</b>	<b>463,442</b>
<b>Charges to Appropriations (Outflow):</b>				
General government	611,918	741,134	823,706	(82,572)
Public safety	1,810,700	1,805,072	1,769,058	36,014
Cultural and recreation	509,294	514,794	504,739	10,055
Public works	1,145,555	1,174,130	962,384	211,746
Capital outlay	2,000	9,953	-	9,953
Debt service:				
Principal retirement	179,100	189,952	189,942	10
Interest and fiscal charges	75,800	64,958	64,905	53
Transfers out	91,500	91,500	90,927	573
<b>Total Charges to Appropriations</b>	<b>4,425,867</b>	<b>4,591,493</b>	<b>4,405,661</b>	<b>185,832</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,905,867</b>	<b>\$ 1,764,941</b>	<b>\$ 2,414,215</b>	<b>\$ 649,274</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
STREET IMPROVEMENT  
YEAR ENDED JUNE 30, 2015**

	<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	\$ 1,070,035	\$ 1,070,035	\$ 1,070,035	\$ -
<b>Resources (Inflows):</b>				
Charges for services	-	-	153,079	153,079
Use of money and property	2,000	2,000	669	(1,331)
Transfers in	-	-	73,978	73,978
<b>Amounts Available for Appropriations</b>	<b>1,072,035</b>	<b>1,072,035</b>	<b>1,297,761</b>	<b>225,726</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	49,200	-	-	-
<b>Total Charges to Appropriations</b>	<b>49,200</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,022,835</b>	<b>\$ 1,072,035</b>	<b>\$ 1,297,761</b>	<b>\$ 225,726</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 HOUSING AUTHORITY  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,926,973	\$ 1,926,973	\$ 1,926,973	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	20,935	20,935
<b>Amounts Available for Appropriations</b>	<b>1,926,973</b>	<b>1,926,973</b>	<b>1,947,908</b>	<b>20,935</b>
<b>Charges to Appropriations (Outflow):</b>				
Economic development	10,200	10,200	5,631	4,569
<b>Total Charges to Appropriations</b>	<b>10,200</b>	<b>10,200</b>	<b>5,631</b>	<b>4,569</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,916,773</b>	<b>\$ 1,916,773</b>	<b>\$ 1,942,277</b>	<b>\$ 25,504</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 CHILD CARE CENTER  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 16,583	\$ 16,583	\$ 16,583	\$ -
<b>Resources (Inflows):</b>				
Charges for services	1,199,750	1,252,171	1,119,667	(132,504)
Use of money and property	-	-	17	17
<b>Amounts Available for Appropriations</b>	<b>1,216,333</b>	<b>1,268,754</b>	<b>1,136,267</b>	<b>(132,487)</b>
<b>Charges to Appropriations (Outflow):</b>				
Cultural and recreation	1,159,010	1,211,431	1,269,135	(57,704)
Capital outlay	400	400	-	400
<b>Total Charges to Appropriations</b>	<b>1,159,410</b>	<b>1,211,831</b>	<b>1,269,135</b>	<b>(57,304)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 56,923</b>	<b>\$ 56,923</b>	<b>\$ (132,868)</b>	<b>\$ (189,791)</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 at year-end lapse, and then are added to the following year's budgeted appropriations. Also, 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.

b. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Funds:			
Child Care Center	\$ 1,269,135	\$ 1,211,831	\$ (57,304)
Nonmajor Funds:			
AB 3229 COPS Fund	100,496	100,000	(496)
Terrace Pines Landscape and Lighting District	11,014	7,800	(3,214)

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<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>				
Pooled cash and investments	\$ 90,930	\$ 303,395	\$ 5,755	\$ 45,660
Receivables:				
Due from other governments	-	-	-	4,000
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 90,930</u></b>	<b><u>\$ 303,395</u></b>	<b><u>\$ 5,755</u></b>	<b><u>\$ 49,660</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</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	-	303,395	-	-
Public safety	-	-	5,755	-
Public works	90,930	-	-	49,660
<b>Total Fund Balances</b>	<b><u>90,930</u></b>	<b><u>303,395</u></b>	<b><u>5,755</u></b>	<b><u>49,660</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 90,930</u></b>	<b><u>\$ 303,395</u></b>	<b><u>\$ 5,755</u></b>	<b><u>\$ 49,660</u></b>

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

(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>				
Pooled cash and investments	\$ 448,228	\$ 60,778	\$ 224,192	\$ 530,365
Receivables:				
Due from other governments	-	-	-	30,440
Due from other funds	-	-	15,437	-
<b>Total Assets</b>	<b><u>\$ 448,228</u></b>	<b><u>\$ 60,778</u></b>	<b><u>\$ 239,629</u></b>	<b><u>\$ 560,805</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 9,122	\$ -	\$ -	\$ -
Accrued liabilities	1,730	-	-	-
Due to other funds	-	15,437	-	-
<b>Total Liabilities</b>	<b><u>10,852</u></b>	<b><u>15,437</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	239,629	-
Public safety	-	-	-	-
Public works	437,376	45,341	-	560,805
<b>Total Fund Balances</b>	<b><u>437,376</u></b>	<b><u>45,341</u></b>	<b><u>239,629</u></b>	<b><u>560,805</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 448,228</u></b>	<b><u>\$ 60,778</u></b>	<b><u>\$ 239,629</u></b>	<b><u>\$ 560,805</u></b>



CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	Special Revenue Funds			Capital Projects Funds
	CDBG	Terrace Pines Landscape and Lighting	Spring Mountain Ranch	Street Improvement
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 6,680	\$ 194,738	\$ 31,669
Receivables:				
Due from other governments	8,562	-	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 8,562</b>	<b>\$ 6,680</b>	<b>\$ 194,738</b>	<b>\$ 31,669</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	611	-	-	-
<b>Total Liabilities</b>	<b>611</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	7,951	-	194,738	-
Public safety	-	-	-	-
Public works	-	6,680	-	31,669
<b>Total Fund Balances</b>	<b>7,951</b>	<b>6,680</b>	<b>194,738</b>	<b>31,669</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,562</b>	<b>\$ 6,680</b>	<b>\$ 194,738</b>	<b>\$ 31,669</b>

CITY OF GRAND TERRACE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	Capital Projects Funds		Total Governmental Funds
	Barton / Colton Bridge	Capital Project/Bonds Proceeds	
<b>Assets:</b>			
Pooled cash and investments	\$ 2,332	\$ -	\$ 1,944,722
Receivables:			
Due from other governments	-	-	43,002
Due from other funds	-	-	15,437
<b>Total Assets</b>	<b>\$ 2,332</b>	<b>\$ -</b>	<b>\$ 2,003,161</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 9,122
Accrued liabilities	-	-	1,730
Due to other funds	-	-	16,048
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>26,900</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Community development projects	-	-	745,713
Public safety	-	-	5,755
Public works	2,332	-	1,224,793
<b>Total Fund Balances</b>	<b>2,332</b>	<b>-</b>	<b>1,976,261</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,332</b>	<b>\$ -</b>	<b>\$ 2,003,161</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	Storm Drain Improvement	Park Development	AB 3229 COPS Fund	Air Quality Improvement
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	106,251	15,242
Charges for services	13,364	62,513	-	-
Use of money and property	44	140	-	24
Fines and forfeitures	-	-	-	-
<b>Total Revenues</b>	<b>13,408</b>	<b>62,653</b>	<b>106,251</b>	<b>15,266</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	100,496	-
Public works	-	-	-	-
Capital outlay	-	-	-	59,708
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>100,496</b>	<b>59,708</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,408	62,653	5,755	(44,442)
<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	13,408	62,653	5,755	(44,442)
Fund Balances, Beginning of Year	77,522	240,742	-	94,102
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	77,522	240,742	-	94,102
<b>Fund Balances, End of Year</b>	<b>\$ 90,930</b>	<b>\$ 303,395</b>	<b>\$ 5,755</b>	<b>\$ 49,660</b>

## CITY OF GRAND TERRACE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

(CONTINUED)

	Special Revenue Funds			
	State Gas Tax	Traffic Safety	Facilities Development	Measure I
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	324,738	-	-	195,439
Charges for services	-	-	23,589	-
Use of money and property	193	26	162	220
Fines and forfeitures	-	18,099	-	-
<b>Total Revenues</b>	<b>324,931</b>	<b>18,125</b>	<b>23,751</b>	<b>195,659</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	55	-	-
Public works	307,975	-	-	-
Capital outlay	-	-	-	4,550
<b>Total Expenditures</b>	<b>307,975</b>	<b>55</b>	<b>-</b>	<b>4,550</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,956	18,070	23,751	191,109
<b>Other Financing Sources (Uses):</b>				
Transfers in	90,579	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>90,579</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	107,535	18,070	23,751	191,109
Fund Balances, Beginning of Year	329,841	36,504	215,878	369,696
Restatements	-	(9,233)	-	-
Fund Balances, Beginning of Year, as Restated	329,841	27,271	215,878	369,696
<b>Fund Balances, End of Year</b>	<b>\$ 437,376</b>	<b>\$ 45,341</b>	<b>\$ 239,629</b>	<b>\$ 560,805</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			Capital Projects Funds
	CDBG	Terrace Pines Landscape and Lighting	Spring Mountain Ranch	Street Improvement
<b>Revenues:</b>				
Taxes	\$ -	\$ 11,246	\$ -	\$ -
Licenses and permits	-	-	194,700	-
Intergovernmental	20,106	224	-	-
Charges for services	-	-	-	-
Use of money and property	3	3	38	20
Fines and forfeitures	-	776	-	-
<b>Total Revenues</b>	<b>20,109</b>	<b>12,249</b>	<b>194,738</b>	<b>20</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Public works	20,106	11,014	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>20,106</b>	<b>11,014</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3	1,235	194,738	20
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(73,978)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,978)</b>
Net Change in Fund Balances	3	1,235	194,738	(73,958)
Fund Balances, Beginning of Year	7,948	5,445	-	105,627
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	7,948	5,445	-	105,627
<b>Fund Balances, End of Year</b>	<b>\$ 7,951</b>	<b>\$ 6,680</b>	<b>\$ 194,738</b>	<b>\$ 31,669</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Capital Projects Funds</u>		
	<u>Barton / Colton Bridge</u>	<u>Capital Project/Bonds Proceeds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ 11,246
Licenses and permits	-	-	194,700
Intergovernmental	-	-	662,000
Charges for services	-	-	99,466
Use of money and property	1	-	874
Fines and forfeitures	-	-	18,875
<b>Total Revenues</b>	<b>1</b>	<b>-</b>	<b>987,161</b>
<b>Expenditures:</b>			
Current:			
Public safety	-	-	100,551
Public works	-	-	339,095
Capital outlay	-	-	64,258
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>503,904</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	-	483,257
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	348	90,927
Transfers out	-	-	(73,978)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>348</b>	<b>16,949</b>
Net Change in Fund Balances	1	348	500,206
Fund Balances, Beginning of Year	2,331	(348)	1,485,288
Restatements	-	-	(9,233)
Fund Balances, Beginning of Year, as Restated	2,331	(348)	1,476,055
<b>Fund Balances, End of Year</b>	<b>\$ 2,332</b>	<b>\$ -</b>	<b>\$ 1,976,261</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 STORM DRAIN IMPROVEMENT  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 77,522	\$ 77,522	\$ 77,522	\$ -
<b>Resources (Inflows):</b>				
Charges for services	5,600	5,600	13,364	7,764
Use of money and property	-	-	44	44
<b>Amounts Available for Appropriations</b>	<b>83,122</b>	<b>83,122</b>	<b>90,930</b>	<b>7,808</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 83,122</b>	<b>\$ 83,122</b>	<b>\$ 90,930</b>	<b>\$ 7,808</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 PARK DEVELOPMENT  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 240,742	\$ 240,742	\$ 240,742	\$ -
<b>Resources (Inflows):</b>				
Charges for services	800	800	62,513	61,713
Use of money and property	-	-	140	140
<b>Amounts Available for Appropriations</b>	<b>241,542</b>	<b>241,542</b>	<b>303,395</b>	<b>61,853</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	2,300	-	-	-
Capital outlay	15,000	15,000	-	15,000
<b>Total Charges to Appropriations</b>	<b>17,300</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 224,242</b>	<b>\$ 226,542</b>	<b>\$ 303,395</b>	<b>\$ 76,853</b>



CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 AB 3229 COPS FUND  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	100,000	106,251	6,251
<b>Amounts Available for Appropriations</b>	<b>100,000</b>	<b>100,000</b>	<b>106,251</b>	<b>6,251</b>
<b>Charges to Appropriations (Outflow):</b>				
Public safety	100,000	100,000	100,496	(496)
<b>Total Charges to Appropriations</b>	<b>100,000</b>	<b>100,000</b>	<b>100,496</b>	<b>(496)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,755</b>	<b>\$ 5,755</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY IMPROVEMENT  
YEAR ENDED JUNE 30, 2015**

	<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	\$ 94,102	\$ 94,102	\$ 94,102	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	14,000	14,000	15,242	1,242
Use of money and property	-	-	24	24
<b>Amounts Available for Appropriations</b>	<b>108,102</b>	<b>108,102</b>	<b>109,368</b>	<b>1,266</b>
<b>Charges to Appropriations (Outflow):</b>				
Capital outlay	-	64,000	59,708	4,292
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>64,000</b>	<b>59,708</b>	<b>4,292</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 108,102</b>	<b>\$ 44,102</b>	<b>\$ 49,660</b>	<b>\$ 5,558</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 STATE GAS TAX  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 329,841	\$ 329,841	\$ 329,841	\$ -
<b>Resources (Inflows):</b>				
Taxes	-	-	-	-
Use of money and property	-	-	193	193
Transfers in	91,500	91,500	90,579	(921)
<b>Amounts Available for Appropriations</b>	<b>745,741</b>	<b>745,741</b>	<b>745,351</b>	<b>(390)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	402,490	402,490	307,975	94,515
<b>Total Charges to Appropriations</b>	<b>402,490</b>	<b>402,490</b>	<b>307,975</b>	<b>94,515</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 343,251</b>	<b>\$ 343,251</b>	<b>\$ 437,376</b>	<b>\$ 94,125</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC SAFETY  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 27,271	\$ 27,271	\$ 27,271	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	26	26
Fines and forfeitures	38,400	38,400	18,099	(20,301)
<b>Amounts Available for Appropriations</b>	<b>65,671</b>	<b>65,671</b>	<b>45,396</b>	<b>(20,275)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public safety	5,200	600	55	545
<b>Total Charges to Appropriations</b>	<b>5,200</b>	<b>600</b>	<b>55</b>	<b>545</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 60,471</b>	<b>\$ 65,071</b>	<b>\$ 45,341</b>	<b>\$ (19,730)</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 FACILITIES DEVELOPMENT  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 215,878	\$ 215,878	\$ 215,878	\$ -
<b>Resources (Inflows):</b>				
Charges for services	3,400	3,400	23,589	20,189
Use of money and property	-	-	162	162
<b>Amounts Available for Appropriations</b>	<b>219,278</b>	<b>219,278</b>	<b>239,629</b>	<b>20,351</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 219,278</b>	<b>\$ 219,278</b>	<b>\$ 239,629</b>	<b>\$ 20,351</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
MEASURE I  
YEAR ENDED JUNE 30, 2015**

	<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	\$ 369,696	\$ 369,696	\$ 369,696	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	170,000	170,000	195,439	25,439
Use of money and property	-	-	220	220
<b>Amounts Available for Appropriations</b>	<b>539,696</b>	<b>539,696</b>	<b>565,355</b>	<b>25,659</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	12,000	-	-	-
Capital outlay	46,000	46,000	4,550	41,450
Transfers out	112,000	112,000	-	112,000
<b>Total Charges to Appropriations</b>	<b>170,000</b>	<b>158,000</b>	<b>4,550</b>	<b>153,450</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 369,696</b>	<b>\$ 381,696</b>	<b>\$ 560,805</b>	<b>\$ 179,109</b>

CITY OF GRAND TERRACE

BUDGETARY COMPARISON SCHEDULE  
 CDBG  
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,948	\$ 7,948	\$ 7,948	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	49,530	49,530	20,106	(29,424)
Use of money and property	-	-	3	3
<b>Amounts Available for Appropriations</b>	<b>57,478</b>	<b>57,478</b>	<b>28,057</b>	<b>(29,421)</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	49,530	49,530	20,106	29,424
<b>Total Charges to Appropriations</b>	<b>49,530</b>	<b>49,530</b>	<b>20,106</b>	<b>29,424</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 7,948</b>	<b>\$ 7,948</b>	<b>\$ 7,951</b>	<b>\$ 3</b>

CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
TERRACE PINES LANDSCAPE AND LIGHTING DISTRICT  
YEAR ENDED JUNE 30, 2015**

	<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	\$ 5,445	\$ 5,445	\$ 5,445	\$ -
<b>Resources (Inflows):</b>				
Taxes	5,000	5,000	11,246	6,246
Intergovernmental	5,200	5,200	224	(4,976)
Use of money and property	-	-	3	3
Fines and forfeitures	-	-	776	776
<b>Amounts Available for Appropriations</b>	<b>15,645</b>	<b>15,645</b>	<b>17,694</b>	<b>2,049</b>
<b>Charges to Appropriations (Outflow):</b>				
Public works	7,800	7,800	11,014	(3,214)
<b>Total Charges to Appropriations</b>	<b>7,800</b>	<b>7,800</b>	<b>11,014</b>	<b>(3,214)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 7,845</b>	<b>\$ 7,845</b>	<b>\$ 6,680</b>	<b>\$ (1,165)</b>



CITY OF GRAND TERRACE

**BUDGETARY COMPARISON SCHEDULE  
STREET IMPROVEMENT - CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2015**

	<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	\$ 105,627	\$ 105,627	\$ 105,627	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	20	20
Transfers in	112,000	112,000	-	(112,000)
<b>Amounts Available for Appropriations</b>	<b>217,627</b>	<b>217,627</b>	<b>105,647</b>	<b>(111,980)</b>
<b>Charges to Appropriations (Outflow):</b>				
Capital outlay	112,000	112,000	-	112,000
Transfers out	-	-	73,978	(73,978)
<b>Total Charges to Appropriations</b>	<b>112,000</b>	<b>112,000</b>	<b>73,978</b>	<b>38,022</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 105,627</b>	<b>\$ 105,627</b>	<b>\$ 31,669</b>	<b>\$ (73,958)</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 JUNE 30, 2015

	Refundable Deposits Trust Fund	Employees Deferred Comp Trust Fund	Totals
<b>Assets:</b>			
Pooled cash and investments	\$ 326,228	\$ 81,176	\$ 407,404
<b>Total Assets</b>	<b>\$ 326,228</b>	<b>\$ 81,176</b>	<b>\$ 407,404</b>
<b>Liabilities:</b>			
Accounts payable	\$ 361	\$ -	\$ 361
Deposits payable	325,867	81,176	407,043
<b>Total Liabilities</b>	<b>\$ 326,228</b>	<b>\$ 81,176</b>	<b>\$ 407,404</b>

CITY OF GRAND TERRACE

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2015

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2015</u>
<b><u>Refundable Deposits Trust Fund</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 220,596	\$ 249,579	\$ 143,947	\$ 326,228
<b>Total Assets</b>	<b><u>\$ 220,596</u></b>	<b><u>\$ 249,579</u></b>	<b><u>\$ 143,947</u></b>	<b><u>\$ 326,228</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 922	\$ 83,359	\$ 83,920	\$ 361
Deposits payable	219,674	193,824	87,631	325,867
<b>Total Liabilities</b>	<b><u>\$ 220,596</u></b>	<b><u>\$ 277,183</u></b>	<b><u>\$ 171,551</u></b>	<b><u>\$ 326,228</u></b>
<b><u>Employees Deferred Comp Trust Fund</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 80,162	\$ 1,014	\$ -	\$ 81,176
<b>Total Assets</b>	<b><u>\$ 80,162</u></b>	<b><u>\$ 1,014</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 81,176</u></b>
<b>Liabilities:</b>				
Deposits payable	\$ 80,162	\$ 1,014	\$ -	\$ 81,176
<b>Total Liabilities</b>	<b><u>\$ 80,162</u></b>	<b><u>\$ 1,014</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 81,176</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 300,758	\$ 250,593	\$ 143,947	\$ 407,404
<b>Total Assets</b>	<b><u>\$ 300,758</u></b>	<b><u>\$ 250,593</u></b>	<b><u>\$ 143,947</u></b>	<b><u>\$ 407,404</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 922	\$ 83,359	\$ 83,920	\$ 361
Deposits payable	299,836	194,838	87,631	407,043
<b>Total Liabilities</b>	<b><u>\$ 300,758</u></b>	<b><u>\$ 278,197</u></b>	<b><u>\$ 171,551</u></b>	<b><u>\$ 407,404</u></b>